

August 8 1989



EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

CUBA

Cigar deal goes up in smoke

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Wednesday August 9 1989

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World News

Britain and Argentina to hold talks next week

Britain and Argentina are due to hold face-to-face talks next week, the first such meeting in four years, in the first cautious step towards renewing diplomatic and other relations broken since the 1982 Falklands war. Page 16

Palmer new PM

Geoffrey Palmer, New Zealand's new Prime Minister, is seen as a compromise acceptable to both political wings of the Labour Party. Page 4

Czech church offer

The leader of Czechoslovakia's Roman Catholic Church has offered to mediate between the Government and thousands of people who are backing political reforms. Page 2

Columbia blasts off

The US space shuttle Columbia blasted off on a secret military mission that aerospace experts said would deploy a sophisticated satellite to spy on the Soviet Union.

Fatah peace move

Palestinian activists said the endorsement of PLO leader Yasser Arafat's peace drive by the group's Fatah faction would boost the chances of Middle East peace.

Vietnam flights

Hong Kong's Cathay Pacific and Dragonair airlines received government permission to fly to Vietnam in a move that appears related to recent talks on repatriation of boat people. Page 5

Compassion fatigue

Police broke up a demonstration of angry Hong Kong residents protesting against the construction of a new detention center for Vietnamese boat people.

Hussein peace call

President Saddam Hussein of Iraq called on Iran to sign a formal peace agreement a year after the UN-brokered ceasefire ended the eight-year Gulf war.

Rangoon alert

Rangoon was heavily guarded by troops on the first anniversary of the 1988 uprising for "democratic revolution" which the army crushed. Page 4

California quakes

An earthquake measuring 5.2 on the Richter scale shook the San Francisco Bay area, causing high-rise office buildings to sway.

Panama protests

Panama asked for a meeting of the UN Security Council to discuss alleged intimidation and aggression by US troops stationed at the canal.

CIA China forecast

China's economic reform programme is likely "to be bogged down for the next few years" as a result of this summer's political unrest, according to the CIA. Page 3

Liberian runs amok

A bayonet-wielding Liberian killed two West German policemen and wounded three before one of his dying victims shot him dead.

Spy freed in error

A former East German agent who escaped from a West Berlin jail and was recaptured in June, 36 years later, has been freed again due to an administrative error.

Business Summary

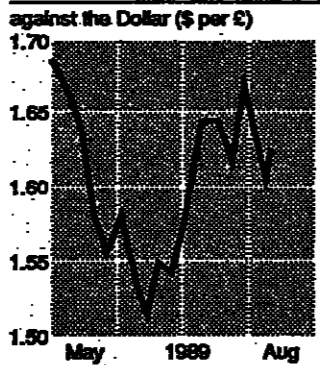
President of Wang quits in shake-up

FREDERICK Wang, son of the founder of Wang Laboratories, resigned as president three years after taking office under pressure from bank lenders and executives of the sorely troubled computer company. Wang's sudden resignation opens the way for the company to seek rescue by recruiting a new leader from outside the founding family. Page 17

Sterling

STERLING gained from a weakening of the dollar. Spectacular gains disappointed with the dollar's failure to move above DM1.92 were attracted.

Against the Dollar (\$ per £)



by high London interest rates, and in London the pound gained 1.85 cents to close at \$1.626. At mid-session in New York, sterling stood at \$1.623. Currencies. Page 24

Suez, French banking and investment group, declared war on its partners in the Victoria insurance group by launching a FRF19.5bn (\$3.01bn) takeover bid for Compagnie Industrielle, Victoire's key shareholder. Page 17

WARTSILA Marine: The Finnish Government is expected to announce the results of talks with the privately-owned shipbuilder which faces bankruptcy. Page 18

BOUYGUES EST, nickel and copper mining company, benefited from strong metal prices during the first half of the year but operating profits remain insufficient to cover interest obligations. Page 19

KIRIN Brewery, Japan's largest beer producer, reported pre-tax profits at the half-year of ¥26.7bn (\$190.6m) and sales of ¥269.8bn, down 19 per cent from last year's first half. Page 19

ARGENTINA: monthly inflation broke all previous records in July, reaching 196.6 per cent for retail and 208.2 per cent for wholesale prices. Page 3

SCITEX, Israeli publishing equipment maker headed by the UK's Robert Maxwell, more than doubled first-half net profits to \$13.16m from \$5.38m as sales rose 18 per cent to \$107.17m. Page 19

SHUN Tak Enterprises, ferry operator which carries passengers between Hong Kong and Macao, reported net profits of HK\$121.7m (\$15.6m) for the six months to June, up 50 per cent. Page 19

KUWAIT Real Estate Investment Consortium, owned by Kuwait Investment Authority, will be the leading shareholder in a new Cairo-based merchant bank. Page 21

QUAKER Oats, Chicago food and toy group, said operating earnings in its fourth quarter to June rose 11 per cent to \$229.2m. Page 19

COMMODOROS International, US personal computer and peripherals company, said it lost \$10.1m for the fourth quarter to June and blamed a stronger US dollar for a fall in sales. Page 19

TELEFONICA, internationally quoted Spanish telephone monopoly, reported a 13.2 per cent increase to Ptas32.65bn (\$278.3m) in net profits for the first half of 1989. Page 18

Goldsmith attacks BAT at launch of £13.5bn bid

By Nikki Tait in London

SIR James Goldsmith yesterday formally launched the £13.5bn offer from Hoylake for BAT Industries with a scathing attack on the tobacco co-based conglomerate's record and strategy.

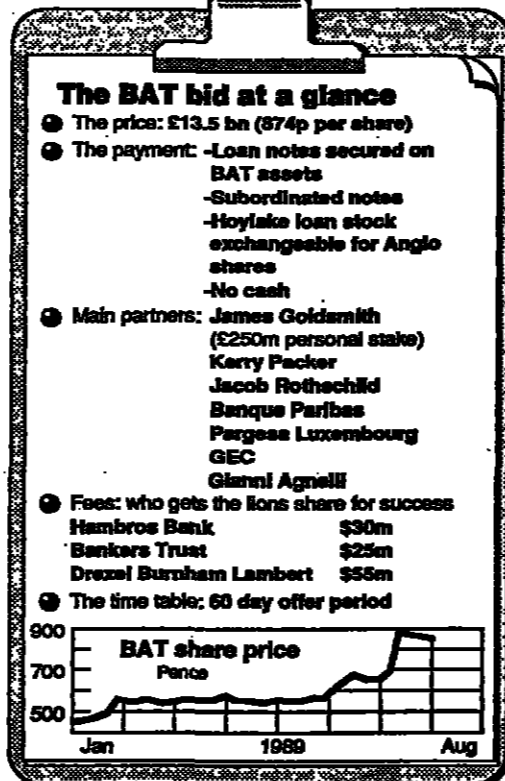
The Anglo-French financier also revealed a lengthy and colourful list of additional investors who are putting money into Hoylake, the consortium bid vehicle which he heads.

The 23 names listed in the formal offer document which was published yesterday include the Duke of Beaufort, Mrs Barbara Fick, a member of the West German family of industrialists; Mr William Simon, a former US Treasury Secretary; and Mr Ted Field from the family which built up the US-based Marshall Field department stores business now owned by BAT.

Together the maximum commitments of these investors - who also include the previously-revealed names of General Electric Company of the UK, Banque Paribas of France and Pargesa, the Swiss-based financial and industrial group to subscribe for shares in Hoylake, could top \$300m. Sir James added that his own investment in Hoylake would amount to £250m.

In a lengthy presentation to London analysts and the press, Sir James criticised BAT's strategy of diversifying from its core tobacco business and sharply criticised the management of that division.

Talking of BAT's diversification into retail interests, for



Goldsmith: launched attack on BAT

example, he suggested that shareholders had been "trapped by a management which hadn't the foggiest idea what to do." The retail arm, he contended, "was an incredible story of an accumulation of stores - a conglomerate within a conglomerate."

"Compared to BAT, Mr Alan

Bond [the Australian businessman] has iron self-control," added Sir James tartly, warning to his theme.

His remarks brought a swift response from BAT. It accused Hoylake of using "silly arguments" and backing them up with "extremely selective" figures for the various BAT busi-

nesses.

Mr Pat Sheehy, BAT chairman, said the management's strategy had "transformed the group" and "shareholders will reap the benefit by remaining with a management team dedicated to building the business rather than destroying it for Continued on Page 16

S Africa financial sanctions plan

By Chris Sherwell in Canberra

COMMONWEALTH foreign ministers yesterday proposed a package of financial sanctions under which banks lending to South Africa would face tighter restrictions on their business dealings.

The measures were unveiled in Canberra where an eight-nation committee of foreign ministers is discussing sanctions and apartheid ahead of the Commonwealth heads of government meeting in Kuala Lumpur in October.

If implemented, the measures would strengthen the financial sanctions already in place when South Africa is under pressure over the renegotiation of its main \$9bn debt and the maturing of \$3bn in other debts.

The measures include an official lobbying of banks negotiating next year's rescheduling, toughened guidelines restricting new South African lending and the establishment of an official body to monitor a ban on medium- and long-term lending.

The ministers are also urging all countries to take South Africa "off cover" with official government trade credit and insurance agencies, and want all financial institutions to impose tougher terms for trade financing - including reducing the maximum credit term to 90 days.

The measures are in line with the recommendations of a study on financial sanctions by an Australian technocrat. His

findings are published in a book launched yesterday by Mr Bob Hawke, the Australian Prime Minister.

A second study, also published yesterday, calls for the phased introduction of full trade sanctions over a five-year period to force the white Government to negotiate with the black majority.

The proposed lobbying of international banks is to be done by a delegation of officials and is being treated as "a matter of some urgency," according to Mr Joe Clark, Canada's Foreign Minister, who is chairing the meeting.

The banks are being urged to apply the highest possible interest rates to South African debt, to provide for substantial

capital repayments and to reject options for escaping the moratorium on commercial loan repayments unilaterally imposed by Pretoria.

In spelling out guidelines for lending to South Africa, the ministers said these aimed to distinguish loans which undermined sanctions and those which, by encouraging capital outflow, reinforced them.

The guidelines involve obtaining a declaration from the borrower about the source of control of the entity seeking the loan and assurances that the loan is not to circumvent sanctions, or for transfer to South Africa, or to repatriate profits.

Thirty ways to raise the price of apartheid, Page 4

Iran plan for freeing assets rejected in US

By Victor Mallet in London and Hugh Carnegie in Jerusalem

IRAN yesterday outlined a proposal to ease negotiations in the Middle East hostage crisis, suggesting through a government newspaper that it would use its influence to secure the release of Iranian captives in Lebanon if the US agreed to release frozen Iranian assets.

Washington quickly rejected the idea. The White House said the US would not strike any deal aimed at releasing the hostages in Lebanon that would involve freeing up billions of dollars of Iranian assets.

Iranian officials say up to \$12bn is at stake but US estimates are closer to \$4bn and claims are already being processed by the Iran-US Claims Tribunal in The Hague.

Iranian money and weapons were seized on the orders of President Jimmy Carter 10 years ago when Islamic militants seized the US Embassy in Tehran in 1979 and took the staff hostage.

Much of the money was transferred to escrow accounts as part of the Algerian-brokered agreement which led to their freedom in 1981.

"The first step should be taken by the US and if Tehran gets satisfied that its assets will certainly be unfrozen the second step will definitely come from Iran," a source close to Iran's new President, Hajjotalestan Ali Akbar Hashemi Rafsanjani, was

quoted as saying in the Tehran Times.

"We can use our influence in Lebanon for the release of the hostages there," he said, but added cautiously, "No guarantee can be given that the Western hostages will definitely be released because Iran has limited influence among the Lebanese groups."

American officials are uncertain about Mr Rafsanjani's hold over Hizbollah, the Iranian-funded umbrella organisation thought to be responsible for most of the kidnappings in Lebanon.

Yesterday, Hizbollah, which is championed by Mr Ali Akbar Mohtashemi, the hardline Iranian Interior Minister, again rejected the idea of exchanging 17 Western hostages and three Israeli soldiers for a Hizbollah leader abducted by Israel last month and 300 Lebanese Shia also held by the Israelis.

The murder of one US hostage, Lt Col William Higgins, was announced by a group of kidnappers last week following the Israeli kidnapping of Sheikh Abdul Karim Obeid in southern Lebanon.

Most Western hostages could now have been moved from Beirut to the Bekaa valley, to avoid the shelling in the capital, according to Mr Allan Ramsay, Britain's Ambassador Continued on Page 16

Bush ponders Iranian assets card, Page 4

Walesa appeals for break in Poland's coalition

By John Lloyd in Warsaw

COALITION-BREAKING politics came to Poland yesterday as Mr Lech Walesa appealed directly to the two parties now in partnership with the ruling Communists to leave their 40-year-old home and join a Solidarity government.

The Solidarity leader told Polish Radio that the crisis facing the country necessitated an immediate end to the monopoly of power enjoyed by the Polish United Workers (Communists) Party for the past 40 years.

Meanwhile the two pro-Communist groups that Solidarity is seeking to woo into coalition - the Peasant and Democratic parties - promised to consider the suggestions.

The executive councils of both parties were due to meet today.

Mr Walesa said that any government formed by Gen Czeslaw Kiszczak, the newly-appointed Prime Minister, would fail in a few months because of lack of support from the Polish people.

He has promised the Peasant and Democratic Parties an independent and honourable role within a Solidarity-dominated government.

The two parties hold the balance of power in the Sejm (lower house of Parliament) in which the Communists have only 38 per cent.

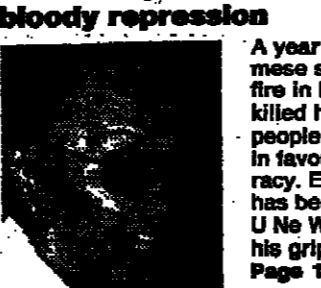
Full Report, Page 2

MARKETS

STERLING New York lunchtime: \$1.623 London: \$1.622 (1.6075) DM1.075 (3.085) FF110.3975 (10.38) SF12.645 (2.6325) £ index 92.1 (91.6) GOLD New York: Comex Dec \$375.6 (373.4) London: \$365.5 (365.75) N SEA OIL (Argus) Brent 15-day Aug yield: \$16.075 (16.075) Cater price changes July 17	DOLLAR New York lunchtime: DM1.0945 FF110.4085 SF11.6295 Y138.9 London: DM1.0905 (1.0905) FF110.395 (1.0905) SF11.6295 (1.639) Y138.75 (140.1) US LUNCHTIME BATES Fed Funds 6.5% 3-mo Treasury Bill: yield: 8.162% Long Bond: 109.2 yield: 8.047%	STOCK INDICES FT-SE 100: 2,348.1 (+8.6) FT Ordinary: 1,982.3 (+5.3) FT-A All Share: 1,194.5 (+0.3%) FT-A long gilt yield: 8.31 (8.30) New York lunchtime: DJ Ind. Av. 2,701.08 (+6.07) Tokyo: Nikkei 34,738.48 (+129.1) LONDON MONEY 3-month interbank: closing 13 1/4-13 1/2% (13 1/4)
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Burma a year of bloody repression



A year ago today Burmese soldiers opened fire in Rangoon and killed hundreds of people demonstrating in favour of democracy. Ever since there has been a charade by U Ne Win to reassert his grip on the country Page 15

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Technology: Supercomputer race between US and Japan Page 9

Managements Why ICI believes people need space

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EUROPEAN NEWS

N-test talks fail to bridge differences

By William Dullforce in Geneva

THE US and the Soviet Union have failed to fulfil expectations that they would resolve their remaining differences over how to monitor underground nuclear tests in six weeks of negotiations here.

As the fourth round of the two-year nuclear testing talks (NTT) ended, Mr Paul Robinson, head of the US delegation, said "high-level decisions" on acceptable verification measures would have to be taken in Washington and Moscow before the talks resumed. No date was set for the resumption.

Agreement on how to check compliance with the rules is needed before the US Senate will ratify the 1974 Threshold Test Ban Treaty (TTBT) and the 1976 Peaceful Nuclear Explosions Treaty (PNET) which limit the size of underground nuclear explosions - the only ones still allowed.

The TTBT limits tests to 150 kilotons. The PNET restricts the size of nuclear explosions used for peaceful purposes.

At the start of the fourth NTT round in June hopes of agreement were high following two apparently successful joint US-Soviet nuclear test experiments last year. Each side demonstrated to the other the

verification techniques it was proposing.

Both agreed that protocols to the two treaties should be negotiated, to provide a "menu" of acceptable techniques that would be used to measure future nuclear tests.

The PNET protocol had already been "substantially completed" so that negotiations have focused on the TTBT over the past six weeks.

The US favours the so-called Cortex hydrodynamic measuring method, under which a coaxial cable is placed down a hole near the explosion. The speed of the shock wave is measured as the cable is crushed.

However, according to Mr Robinson, the Soviet Union has made acceptance of Cortex conditional on the US accepting alternative methods, to which Washington would have to "react very carefully".

Decisions were also needed about the procedures that personnel would follow when using the Cortex method at the other side's test site.

Washington has rejected a Soviet proposal to end all nuclear testing, arguing that tests are indispensable to maintaining the credibility of the US nuclear deterrent.

Visa demand forces Bonn to shut E Berlin mission

WEST Germany yesterday shut its East Berlin diplomatic mission to stem the flood of people seeking exit visas to the West and to limit damage to its fragile relations with East Germany. Reuters reports from East Berlin.

A surge in the number of East Germans taking refuge on Monday forced Bonn to close the mission, equivalent to an embassy, for only the second time since the two German states established diplomatic ties in 1974.

Some 130 East Germans - families, couples and single people - are piled up in the five-storey building and a compound annex where they sleep on mattresses.

"There was a lull at the weekend and then a large number came again yesterday. We reached the limit of what is bearable," said mission spokesman Mr Eberhard Grashoff.

A couple of would-be emigrants from Meissen, in the south of the country, travelled nearly three hours by train only to find the mission gates firmly locked.

"It's another avenue closed to us. We just can't talk to our authorities about our case," said the dejected man, who has been waiting three years to leave the country.

The mission will remain closed until further notice, a tacit Western diplomat said would give both sides a breathing space to solve the problem. Bonn said talks were continuing.

An increase in East Germans trying to leave the hardline Communist state - for economic reasons or out of frustration at the lack of reform - has put relations under new strain.

East Germany's Communist Party daily Neues Deutschland yesterday printed an official statement warning Bonn it could damage ties by allowing East Germans to shelter in the mission and its Prague and Budapest embassies.

"Bonn should not worry about things that do not concern it. Unless, that is, one wants to endanger all the positive results that have been achieved," the statement said.

The GDR (East Germany) is howling because it knows there is little it can do to thwart these people," said one diplomat.

In Bonn, Mr Rudolf Seiters, a minister in the office of Chancellor Helmut Kohl, said West Germany did not encourage any East Germans to emigrate but had a duty to offer aid to those who wanted to.

"No-one has an interest in depopulating East Germany," he told a newspaper interviewer. "But it is quite clear that East Germany must reform if it wants to resolve the problem of the ever-growing number of people wanting to emigrate."

With border fences coming down, hundreds of East Germans have fled to Austria from Hungary while on holiday. About 70 such refugees arrived in West Germany on Tuesday by train.

Bonn expects more than 80,000 East Germans to settle legally in West Germany this year.

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Walesa offers deal to Communist coalition

By John Lloyd in Warsaw

MR LECH WALESZA has opened a new front in the war of attrition between government and opposition in Poland by offering the Peasant and Democratic parties - inert partners of the Communists for 40 years - independent and active roles in a Solidarity-dominated government.

The executive councils of both parties meet today to discuss the Solidarity leader's offer, which was cast in the form of a release to the Polish news agency on Monday night. It said an interview with Polish state radio following a meeting with his advisers in Gdansk, Mr Walesa said he had "realised that Solidarity must break the monopoly of party rule" as a matter of urgency.

He stressed that he had no personal animus against Gen Czeslaw Kiszczak, the man chosen by President Wojciech Jaruzelski as prime minister and presently struggling to put together a government. But he said such a government would be short-lived, lasting only a month or two.

He said that if Gen Kiszczak succeeded in forming an administration, it would not have any support among Poles.

This judgment is backed by political commentators in Warsaw who see a gathering momentum of social unrest.

The commentators point to a threatened wave of strikes on the railways and in posts and telecommunications and to the lack of food supplies, especially meat.

Mr Walesa's initiative, which follows an offer some days ago from Solidarity to form a government on its own, is well calculated to exploit the evident signs of independence within both the formerly pro-Communist parties - in particular, the Peasant Party, the larger of the two.

Of the 76 Peasant Party deputies in the Sejm, or lower house, 40 initially refused to endorse the candidacy of Gen Kiszczak as prime minister and thus deprived him of the necessary majority.

However, after talks with Mr Roman Malinowski, the Peasant Party president, in which the party was promised the posts of deputy prime minister, four ministries, including agriculture and ecology, and many junior ministries, Gen Kiszczak was able to scrape home - although six Peasant deputies



Walesa: opening new front

ties still voted against him and three abstained.

The initiative is also well calculated to run with the grain of the voting strengths in the new parliament. The government coalition - Communists, Peasants and Democrats - makes up a majority in the Sejm but the Communists alone have only 38 per cent of the vote.

If Solidarity can win over the other two parties to its side, it

will dominate voting in the lower house. The movement already commands all but one of the 100 seats in the Senate, or upper house.

Against the idea, however, is:

● The conservatism of the coalition parties. Mr Malinowski, speaking to the Financial Times yesterday, said the call from Mr Walesa was "demagogic" and that Poland needed a grand coalition of all the parties, including the Communists, not rule by Solidarity. However, the Democrats said the offer would be "studied with great interest" and the dispersed party faithful.

● The opposition of the Soviet Union. President Jaruzelski has already told opposition leaders that a Solidarity government "would not be understood by our neighbour" notwithstanding the supposed end of the Brezhnev doctrine which prohibited any Soviet-bloc country from deviating from Communist orthodoxy.

● The inexperience of Solidarity. In recent weeks, Solidarity leaders like Mr Stefan Bratkowski and sympathetic independent commentators have criticised the movement for having no well-defined economic programme. It contains a diversity of views on the economy, ranging from neo-liberal to vaguely socialist, while its main publications have tended to support wage indexation and the strikes now being mounted almost daily for higher pay.

The Communist Party, now led by Mr Mieczyslaw Rakowski, the former prime minister, made no comment yesterday on Mr Walesa's call. However, Gen Kiszczak was said to be continuing his efforts to form a government while Mr Rakowski continues a programme of pep talks to the dispersed party faithful.

Prime Minister Czeslaw Kiszczak, a senior Communist, has been trying to put together a government since he was appointed on August 2, but his efforts have been stymied by the Communist Party's refusal to join in a "grand coalition" agencies said.

The two small parties have long been loyal to the Communists, but their traditional alliance has shown signs of cracking in recent weeks as the Communist Party has begun to dismantle its 45-year monopoly on power.

Norwegian Government may survive a poll defeat

By Robert Taylor in Stockholm

NORWAY'S Labour Government would not resign immediately if it lost next month's general election, Mrs Gro Harlem Brundtland, the Prime Minister, said yesterday. She does not believe the right-wing opposition parties could unite to form an alternative administration even if they outnumbered her party in the next Parliament.

The Labour Party has governed Norway since May 1986 though it only has 71 seats in the 157-strong Parliament. It took office when a right-wing coalition fell apart over economic policy.

Mrs Brundtland's Government will stay in office until it loses a confidence motion in Parliament.

The main reason for this decision lies in the continuing high level of support enjoyed by the populist Progress Party led by the charismatic Mr Carl Hagen, which threatens to break up the Norwegian political consensus.

Opinion polls suggest it could capture as many as 20 per cent of the votes and win up to 25 seats.

The other opposition parties are hostile to any pact with Progress but they would find it hard to form a government unless they do.

Mrs Brundtland said that she would go if Progress and the larger Conservative Party acquired a parliamentary majority, which seems unlikely.

● Mrs Brundtland, who is a champion of green policies, says the world is not moving quickly enough to stop destroying the environment, Reuters adds.

"There is a great need for radical means and a more radical way of thinking - that has not yet won through," she said.

"There will be a recognition that economic commitment is necessary if we are to get developing countries, with far worse problems than ours, to keep up the pace environmentally," said Mrs Brundtland, who leads the Labour Government.

Depletion of the ozone layer and the "greenhouse" effect, where gases trapped in the earth's atmosphere threaten violent climatic change, were the most pressing environmental issues, Norway has invited heads of government in Europe and North America to an environment conference in Bergen next year.

because he is "foreign" (a West German), and because he openly speaks his mind, has frequently argued that because the visual arts involve the individual's perception of a painting, it carries no social kudos.

"The Viennese delight in going to the opera and the theatre. They love to be seen. It is a social, not an intellectual exercise," he says.

Besides, he adds, there is still a deep antipathy to modern art in Austria and to running international modern art exhibitions.

He recalls the time when he opened an exhibition whose paintings were interpreted by the Catholic Church as blasphemous. Disciplinary proceedings were brought but dropped because of a fear of adverse international publicity.

It would, of course, be unfair to say that all Austrians are against modern art. Mr Franz Vranitzky, the Chancellor, has done much to promote a greater interest in 20th century painting and to introduce a more liberal and tolerant climate in

Exodus of ethnic Turks from Bulgaria tops quarter million

By Jim Bodgener in Ankara

THE NUMBER of ethnic Turks who have crossed from Bulgaria into Turkey this summer rose to 250,000 yesterday, making the exodus one of the largest population movements in Europe since the late 1940s.

Some of the migrants say they were forced to leave, while others say they took advantage of an easing of curbs on travel to flee a regime that was suppressing Turkish culture.

Mr Mesut Yilmaz, Turkey's Foreign Minister, confirmed yesterday that unless Bulgaria started negotiations on the issues, his country would boycott an environmental meeting to be held in Sofia in October under the aegis of the Conference for Security and Co-operation in Europe (CSCE).

He also said Ankara was preparing to take the issue to the United Nations Security Council.

"We are making careful preliminary contacts with council members in order not to risk a negative vote," Ankara-based diplomats predicted that Bulgaria, concerned about the loss of skilled labour, might act to stem the flow when the number of migrants reached 300,000. Ethnic Turks make up just over 10 per cent of Bulgaria's population of around 10m.

Mr Albert Chernichev, the Soviet ambassador to Ankara, has had no success in mediating in the dispute despite repeated efforts which have been welcomed by Turkish officials.

● Our Foreign Staff add: Greece and Cyprus will appeal to the Security Council if ethnic Turks from Bulgaria are settled in significant numbers in Turkish-occupied northern Cyprus, from which nearly 200,000 Greek-Cypriots were driven by the 1974 Turkish invasion.

A Greek government spokesman said that such a move would be considered "a major issue" which would have "all the consequences entailed by this term."

The spokesman said that so far only two Bulgarian families had settled in Cyprus, and that "relevant protests" had been made. Athens and Nicosia have long been angry at the settlement of tens of thousands of mainland Turks on the island which they view as a bid to change its demography.

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● Our Foreign Staff add: Greece and Cyprus will appeal to the Security Council if ethnic Turks from Bulgaria are settled in significant numbers in Turkish-occupied northern Cyprus, from which nearly 200,000 Greek-Cypriots were driven by the 1974 Turkish invasion.

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Czechs flock abroad as travel curbs are eased

By Leslie Collis in Berlin

THE HARDLINE leadership in Prague is letting Czechoslovakians travel to the West in record numbers and has made the first important concessions to the Roman Catholic Church in 16 years.

But the Communist party's refusal to begin a dialogue with the political opposition or to carry out urgent economic reforms has led to intensified struggle within the politburo.

Nearly half a million Czechoslovakians have visited the West under travel regulations liberalised last May, according to officials in Prague. People are given permission to travel after paying the authorities \$10 for each day they apply to visit the West. Quotas have formed at the West German and Austrian embassies for visas.

The West German embassy said nearly 4,000 were applying for visas every day but it was only able to issue 2,500. An estimated 400,000 Czechoslovakians are expected to visit West Germany this year under the liberalised arrangement.

Ironically, easier travel has caused the black market rate for the Western currencies to soar. Ordinary Czechoslovakians who



Yeltsin: lengthy distribute

Yeltsin hits at Soviet leadership

By Robert Taylor in Stockholm

NEITHER President Mikhail Gorbachev nor Mr Nikolai Ryzhkov, the Soviet Prime Minister, have a clear plan for rescuing the country from its economic and financial crisis, according to Mr Boris Yeltsin, head of a radical group of deputies in the new Soviet Parliament, also claimed that Mr Gorbachev's social policies were "vague" in a situation where "an estimated 45m Soviet citizens live in minimal conditions."

In a lengthy diatribe against the current Soviet leadership written specially for the newspaper, Mr Yeltsin also criticised the Soviet Parliament for failing to take real steps to transfer power from the Communist Party to the people.

Officially, the Prime Minister is a candidate for the vacant posts. The Vatican, which has resisted the demand, says none of the appointees is a member.

Prague has also made an effort to improve its tense relationship with the Church, most of whose members are in Slovakia, by making concessions to the Vatican, including the training of priests.

Within the Communist party itself tensions are reported to have sharpened between Mr Ladislav Adamec, Prime Minister and an advocate of economic reforms and contacts with the opposition, and Mr Milos Jakes, the party leader.

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Growth in TV viewing

By David Goodhart in Bonn

West Germany now has more viewers of cable and satellite TV than any other country in Europe according to a report by the London-based PETAR research group funded by various public and private broadcasting systems.

An estimated 11.75m viewers in Germany regularly watch cable channels which, the report says, represents an increase of nearly 50 per cent in the past year alone. About half of all households can now receive cable TV in Germany.

RTL-plus, owner of the Bertelsmann group, reports a rush of interest from new cable customers following its recent coup in screening the Wimble-

don tennis singles finals live - both of them won by Germans - having outbid the two public-sector stations ARD and ZDF. RTL-plus can now be picked up in about 5m German households - a far more than its main rival SAT-1.

The PETAR report says that in the 11 countries it studied - the Scandinavian countries, Belgium, Holland, Britain, Ireland, Austria, Switzerland and West Germany - there are now a total of 43m potential cable viewers. And every day more than 11m viewers watch a cable or satellite programme; a 58 per cent increase on last year.

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Dinosaur attitudes stifle initiative in Austria's museums

Judy Dempsey reports on the bureaucratic inertia that lies behind the resignation of two leading directors

THE AUSTRIAN bureaucracy, that colossal weight capable of stifling all initiative, has worn out the patience of the country's two leading museum directors.

Professor Hermann Filitz, director of the Kunsthistorische, and Mr Dieter Ronte, director of the Museum of Modern Art, resigned last month. What precipitated their actions was their objections to plans for a new museum of modern art.

And while their resignations have provoked a discussion in the media about the role of museums, not once were the byzantine and archaic conditions under which both men worked discussed.

Unlike those of other European countries, Austrian museums do not come under one ministry. The directors are answerable to the Chancellor, the Ministry of Science and Research, the Economic Ministry and, in the case of the Kunsthistorische, the Burghauptmannschaft, the superintendent of the imperial households.

"I am dependent on different administrations," said a weary Professor Filitz. "If I want to improve the plumbing, I cannot contract a builder. I have to plough through the ministries to seek permission. It was the same battle in trying to have an elevator and book shop installed."

Mr Ronte, who will become the director of a new museum in Hannover, goes further: "If I do anything which costs more than Sch30,000 (\$1,350), then I have to inform the Ministry of Science. I have to inform the minister himself if I want to spend more than Sch150,000. If I wanted to use one of the guest rooms in the museum, we were obliged to seek permission. Every step involves politicians. It took eight months for my contract to be confirmed by them."

But it is not only the bureaucracy which wore down the two directors. It was also the attitude towards the visual arts.

Mr Ronte, a man resented by sections of the Austrian establishment

because he is "foreign" (a West German), and because he openly speaks his mind, has frequently argued that because the visual arts involve the individual's perception of a painting, it carries no social kudos.

"The Viennese delight in going to the opera and the theatre. They love to be seen. It is a social, not an intellectual exercise," he says.

Besides, he adds, there is still a deep antipathy to modern art in Austria and to running international modern art exhibitions.

He recalls the time when he opened an exhibition whose paintings were interpreted by the Catholic Church as blasphemous. Disciplinary proceedings were brought but dropped because of a fear of adverse international publicity.

It would, of course, be unfair to say that all Austrians are against modern art. Mr Franz Vranitzky, the Chancellor, has done much to promote a greater interest in 20th century painting and to introduce a more liberal and tolerant climate in

which artists can work. But there are some who are deeply hostile to foreign influences. In a recent article published in Freie Argumente, the journal of the right-wing Freedom Party, a Mr Georg Haureich suggested there was no need for Austrian museums to exhibit or collect non-Austrian works. People could travel abroad to see them if they wished. Mr Haureich is employed by the Ministry of Science.

The cream of the Austrian artistic and cultural community, many of whom were Jewish, were killed in 1938 or forced to emigrate. Prof Filitz says this has left the country without a critical middle class and without decent media to promote ideas and discussions about art.

OVERSEAS NEWS

Japan predicts long expansion as exports grow

By Stefan Wagstyl in Tokyo

JAPAN'S current economic boom, the longest sustained expansion since the 1960s, is set to continue, says the Government's Economic Planning Agency in its annual report on the economy.

However, the report published yesterday warns that little or no reduction can be expected in the size of Japan's current account surplus with other countries. The EPA says that even though domestic demand has taken over from exports as the main engine for growth, exports are still growing, so Japan's current account balance will stay "more or less the same" despite increases in imports.

The agency singles out several problems facing the economy — the slow-down in the correction of external balances, the higher price of Japanese goods at home compared with foreign markets, the distribution system, the rise in land prices in Tokyo, and the slowness of the reduction in working hours.

The report calls for more deregulation. It wants reforms to promote imports, including market-opening measures.

It makes specific recommendations for land reforms in order to ease shortages, including changes in the taxation of land, revisions in the law controlling rented land and accommodation, and the promotion of land trusts which are vehicles designed to allow owners to raise development funds more easily. The EPA also wants more companies to disperse their activities outside

Tokyo. Unlike the Bank of Japan, the EPA does not see inflation as a serious danger.

It says Japan should continue encouraging expansion led by domestic demand, while preventing inflation through cautious fiscal and monetary policies.

The report says Japanese industry has successfully overcome the impact of the rise of the yen in the mid-1980s and has entered "a new phase", which coincides with the accession of the new emperor.

The new economic era is characterised by increasing sophistication of production and of demand patterns, the internationalisation of business, and the growing accumulation of wealth, says the agency. The increasing reliance on domestic demand will insulate Japan from external shocks, such as another oil crisis. The expansion has lasted 31 months, the second longest since the war. The so-called "Izanagi" boom in the 1960s continued for 57 months.

The report praises the US for balancing the competing needs of controlling inflation and promoting growth. But it warns that America's external deficit cannot be solved by financial policy alone, "reductions in the fiscal deficit are indispensable".

It adds: "There are limits to the ability of Japan to solve the world imbalances by itself alone and the curbing of America's domestic demand is extremely important in reaching a solution."

Tokyo powerbrokers switch on remote-control PM

Stefan Wagstyl reports on Toshiki Kaifu's rise to the top and his chances of staying there

MR TOSHIKI KAIFU, who was due to be appointed today as the new Japanese Prime Minister, is being dismissed as a puppet even before taking office.

Like his predecessor, the disgraced Mr Soeuke Uno, who is resigning after only two months in office, Mr Kaifu is being dubbed "the remote-control Prime Minister". The people with their fingers on the buttons are the powerbrokers of the ruling Liberal Democratic Party, who have made Mr Kaifu and can remove him. Chief among them is Mr Shin Kanemaru, de facto leader of the largest of the LDP's constituent factions. Mr Kanemaru orchestrated the campaign which yesterday culminated in Mr Kaifu's election as party president and the LDP's candidate for the prime ministership. The Diet (Parliament) was due to vote on the appointment today.

The root of Mr Kaifu's weakness is that he has no personal power base inside the party. He is a lieutenant in the small faction led by Toshio Komoto, which can muster 30 votes against 105 for the grouping named after Mr Noboru Takemura, the former Prime Minister, and now led by Mr Kanemaru.

Like Mr Uno before him, Mr Kaifu has been chosen because almost all the LDP's natural leaders have been ruled out by their involvement in the Recruit scandal. They need a temporary Prime Minister who will do the job until they feel they have done penance long enough to return to the seat of power. Perhaps after the next general election, perhaps later.

Mr Kaifu fits the bill because he is relatively young. He will be the second-youngest Prime



Toshiki Kaifu (second from right), the new LDP leader, is congratulated by his predecessor Soeuke Uno (second from left) and rival candidates Shintaro Ishihara (left) and Yoshiro Hayashi (right).

Minister since the war and the first born during the reign of Emperor Hirohito.

He is also virtually untainted by financial scandal. He did receive money from the Recruit company but it was all in legal contributions amounting to some ¥15m (\$87,000). So party leaders hope the new

party president will help restore the party's tarnished public image. Mr Kaifu himself and his supporters have recently made much of his loyalty to the late Mr Takeo Miki, who was Prime Minister in the mid-1970s and tried to clean up politics after the Lockheed scandal.

Officials expressed concern yesterday that Mr Toshiki Kaifu's lack of experience in senior cabinet positions could affect the new leader's handling of resources and diplomatic issues, Ian Rogers writes from Tokyo.

An official in the Ministry of International Trade and Industry said strong political leadership would be needed for the forthcoming negotiations with the US on structural barriers to trade. The US is demanding

that Japan make substantial changes to its complicated distribution systems.

An official at the Ministry of Agriculture was worried about the new Government's approach to the agricultural sector negotiations in the Uruguay Round of multilateral trade talks under the General Agreement on Tariffs and Trade.

Japan's total ban on rice imports will be up for discussion, and officials are con-

cerned about their lack of contact with Mr Kaifu up to now.

On the other hand, the Ministry of Finance was relieved that Mr Kaifu would try to build public support for the controversial 3 per cent consumption tax. Big business leaders are particularly eager that the new Government not give in to public and opposition party demands for an abolition of the tax. They strongly promoted it, partly as a trade-off for a reduction in

largely a rubber-stamp for a choice made earlier by heads of the factions which make up the party. Many voters condemn the faction system as undemocratic.

Also Mr Kaifu will be subject to the same party pressures as any other LDP Prime Minister. Last night the governor of Aichi, the prefecture which is Mr Kaifu's home territory, was saying that Aichi would surely now get a planned new airport and a linear motor train track, a high-technology transport system.

Some analysts say that Mr Kaifu may yet confound critics who have written him off before he has started. He has been given a very heavy responsibility by party leaders — if he does better than they expect in restoring confidence in the party, they may find it difficult to write him off.

Mr Kaifu could generate an unexpected wave of personal support, just as Mr Ryutaro Hashimoto, the party's outgoing secretary-general, did during the recent election campaign for the Diet's upper house. The LDP lost disastrously, but Mr Hashimoto, 53,

won high praise for his campaigning style. Many voters supported opposition parties in the election only to register an anti-LDP protest.

If they return to the fold for the next general election, which has to be held by next summer and might be called sooner, then Mr Kaifu might be able to claim some of the credit.

Mr Kaifu has an eye for popular appeal. He has appeared on television talk shows and once sang in front of the cameras. He always wears a tie with polka dots. He has a collection of 600.

However, the prospects of outmanoeuvring the party elders are remote, and nothing in Mr Kaifu's past suggests he has the stomach for such political guerrilla warfare.

Mr Kaifu was born in 1931 in Nagoya to a middle-class family which ran a photographic studio. During the war, Mr Kaifu wanted to become an air force pilot and passed exams to the Army Aviation Corps, but was too young to be enlisted. In 1952, he entered Waseda University, where, in the debating club, he established a reputation for eloquence which has since been a hallmark of his political career.

Mr Kaifu became secretary to a Diet member and after his mentor's death inherited his seat in 1960. He has been a Diet member ever since, rising through the ranks on the conveyor belt which almost automatically brings office to LDP politicians once they have been in Parliament long enough.

He has no experience of managing economic or foreign policy, but he does have some interest in international affairs.

Iraq calls for formal peace treaty

IRAQI President Saddam Hussein yesterday called on Iran to sign a formal peace agreement a year after a UN ceasefire halted the eight-year Gulf war, Reuters reports from Baghdad.

"The ceasefire alone is not the sole fortress for peace," he said in a nationwide radio and television broadcast to mark the anniversary of the UN Security Council's decision to end the war. He said the ceasefire was a "temporary truce" and that the only way to achieve a lasting peace was through a formal peace treaty.

"Only a comprehensive, complete and clear peace agreement, comprising all legitimate rights and duties (of both states) is what we strive to achieve," he added.

The speech, read on President Hussein's behalf, said: "Our desire for peace was confirmed through all our intentions over the past nine years, but Iran's rulers, in their deeds and probably intentions as well, (are) far away from peace."

Despite several rounds of talks since the ceasefire came into effect on August 20, 1988, there has been no progress on a lasting peace settlement of the war in which Western analysts say as many as 1m people were killed.

Talks deadlocked when Iraq demanded that the Shah of Iran withdraw his forces from the two Middle East countries in the south be cleared of war debris to make it navigable for shipping, and Iran insisted that Iraq withdraw its forces from all Iranian land.

Iran had only formally accepted UN Security Council resolution 598 which ordered an immediate ceasefire in the Gulf War. President Hussein said:

CIA report presents gloomy picture of China's economy

By Peter Riddell, US Editor, in Washington

CHINA'S economic reform programme is likely "to be bogged down for the next few years" following the crushing of the pro-democracy movement in June, according to a report prepared by the US Central Intelligence Agency.

CIA analysts present a gloomy view of China's chances of reducing inflation, improving living standards and the trade and budget deficits.

The report is also pessimistic on prospects for decentralisation of prices and decentralisation of key production and distribution decisions.

The intelligence agency said the Chinese economy faced many of these problems before the crackdown.

The report has been prepared for the subcommittee on technology and national security of the Joint Economic Committee of Congress.

Senator Jeff Bingaman, the subcommittee's chairman, said yesterday: "The clock is turning backwards for the Chinese economy. A decade of economic reform may have effectively come to a standstill with the crackdown in Tiananmen Square."

He said the Chinese leadership may have been too timid over the past 10 years for economic restructuring to succeed.

The report argues that inflation is likely to remain a serious problem. "With economic reforms on hold, industrial efficiency and labour productivity will lag and Peking will have difficulty stimulating production of grain and industrial raw materials — items in short supply."

"At the same time, pressure

to increase Government expenditure (notably on defence) will probably grow in the aftermath of the demonstrations, adding to inflationary pressure."

The political unrest occurred when the Peking Government was already trying to implement an austerity programme.

The CIA analysts estimate that growth of China's industrial output fell by almost 50 per cent to 11 per cent in the first half of this year. However, urban inflation continued at an annual rate of almost 30 per cent, and 19 per cent nationwide, according to the CIA report.

"Competing pressures to increase spending will probably prevent the retrenchment programme from bringing inflation under control," the report says. "In urban areas, inflation will probably remain above 20 per cent up to the end of 1990; nationwide, inflation is also likely to remain in double digits for at least the next 18 months."

According to the CIA, the Chinese authorities are facing a policy dilemma in which "persistent inflation will fuel social unrest by eroding standards of living, but rigorous enforcement of the austerity policies would probably swell the ranks of the unemployed, embitter workers whose income subsidies do not keep pace with price rises and anger farmers paid with IOUs for their crops."

Peking's ability, meanwhile, "to draw on foreign resources to alleviate domestic shortages, promote exports, and fund infrastructure and industrial projects has been diminished by the reluctance of foreign

businessmen and governments to sign new investment and loan agreements."

"Industrial and export growth would probably slow — to forestall a steep decline in the foreign exchange reserves. Peking broadens its restrictions on imports to include capital equipment and raw materials."

Key reforms such as the ending of price controls and changes in bankruptcy law to ease the allocation of resources are likely to be postponed indefinitely.

Without further reform, the report argues, China will be unable to alleviate the imbalances in its economy by measures such as boosting grain production, encouraging development of energy and stimulating exports of manufactured goods.

Colleges nationwide have cut by 1.148 the number of high school graduates they will accept from Peking, an official newspaper reported yesterday in another apparent effort to prevent student unrest, AP reports from Peking.

Meanwhile, more reports of unrest from the spring's seven weeks of student pro-democracy protests trickled into the capital. A report from the Hebei Daily, seen in Peking yesterday, said seven Peking student leaders and other alleged counterrevolutionaries were arrested in Hebei last month.

The newspaper China Daily quoted Li Huangguo, deputy chief of the Higher Education Bureau, as saying colleges had adjusted their admissions to compensate for overenrollment in some majors.

Sri Lanka divided over troop terms

By David Housego in Colombo

DIVISIONS began to emerge in Sri Lanka yesterday over a response to India's proposals for withdrawing its troops from the country.

The proposals of both India and Sri Lanka at last week's abortive talks in New Delhi were officially disclosed for the first time by Mr Rajan Wijeratne, the Sri Lanka Foreign Minister, to a special session of the Sri Lankan Parliament. The disclosures came as India withdrew a further 700 troops yesterday.

According to Mr Wijeratne, India has offered to pull out its troops at the rate of 1,500-1,600 a week, with the last troops leaving in February. Sri Lanka demanded that the last Indian troops be out by mid-September.

India also proposed a 15-day ceasefire against the Tamil Tigers, the guerrilla force fighting for a separate Tamil state. This could be extended once the Tigers agreed to join a conciliation council. Sri Lanka called for an immediate and unconditional ceasefire against the Tigers.

It emerged yesterday that a small group within the Cabinet, including senior ministers, favours a policy of compromise with India. The Sri Lankan army also wants to avoid a confrontation with India when it is overstretched dealing with the extremist Sinhalese movement, the JVP.

But it appears that President Premadasa's personal view favours a policy of compromise and Parliamentary pressure to build up against the Indian terms.

Bush ponders the Iranian assets card in crisis poker

Lionel Barber in Washington and Laura Ram in Amsterdam examine the possibility of the US trading cash for influence

IN HIS search for a breakthrough in the current Middle East hostage crisis, President George Bush will now have examined the option of using more than \$1bn (\$625m) of frozen Iranian assets as a bargaining chip in the diplomatic negotiations.

Money and weapons were seized by the US 10 years ago after Iranian militants stormed the US embassy in Tehran and held 52 Americans captive for 444 days. The idea would be to release some of the assets as a goodwill gesture to Iran, which in turn would be expected to exert influence over the pro-Iranian Shia factions holding the remaining eight Americans in Lebanon.

Hojatollah Ali Akbar Hashemi Rafsanjani, the new President of Iran, has already suggested that American hostages might be freed if the assets were returned. Yesterday, the Tehran Times repeated the idea of a quid pro quo, and suggested that Iran could help even in the event of a US promise rather than an immediate return of the assets.

The official response in Washington has so far been to dampen any prospect of a swap.

The Bush Administration remains wary of being entangled into direct hostage negotiations, if only because the Reagan Administration's Iran-Contra arms-for-hostages scandal is still so fresh in the memory.

At the same time, however, some officials are anonymously saying that the US may be willing to address the assets question, but only after the hostage crisis is resolved. This message was, according to some accounts, part of President Bush's letter to Iran (although it also contained a stern warning that the Tehran Government would be held responsible for the fate of the hostages).

The assets in dispute are under the auspices of the Iran-US Claims Tribunal in The Hague, founded in 1981 under the Algiers Accord which ended the Tehran embassy hostage crisis. The tribunal adjudicates claims from individuals and companies arising from the revolution which overthrew the Shah.

IRAN-US CLAIMS TRIBUNAL	
Total cases filed	3656
Cases pending	2638
Cases resolved	1218
Awards to US claimants	\$1200m
Awards to Iranian claimants	\$600m

The overwhelming number of cases are against Iran, though the single biggest claim — as much as \$11bn, of multibillion-dollar military sales, according to Iran — is against the US.

The assets are scattered among four escrow accounts: about \$10m at the New York Federal Reserve Bank; some \$800m at the Bank of England; "several hundred million dollars" in a "foreign military sales" account; and an unknown amount in a Dutch account.

The US confiscated assets totalling \$6m in 1979 after the seizure of the US embassy hostages to repay American bank loans to Iran; of that \$3m was returned to Iran and about \$6m was transferred to escrow accounts as part of the deal which freed the Americans. Some \$4m was quickly repaid to banks outside the tribunal process. No other assets remain, both sides to the dispute agree.

The tribunal is the only official link between Washington and Tehran since diplomatic relations were broken in 1979, and the painstakingly slow judicial process has proved remarkably impervious to the successive crises in the US-Iran relationship.

The tribunal even convened for business the day after the USS Vincennes shot down an Iranian civil aircraft last year, killing 280 people aboard.

Unlike some politicians on both sides of the dispute, officials involved in the tribunal negotiations publicly discount any link between the escrow assets and the hostage crisis. Indeed, despite the public pronouncements of Mr Rafsanjani, the Iranians have made it clear on numerous occasions that they do not want to speed up negotiations because they are heavily outnumbered by State Department lawyers and resources, especially in the aftermath of the Iran-Iraq war.

Independent experts such as Ms Shireen Hunter of the Centre for Strategic and International Studies at Georgetown University, do believe that the assets dispute could be a component to a settlement. "If Iran is to exert influence in Lebanon, it needs something in return," says Ms Hunter, "and Iran desperately needs short-term cash to repair its economy."

Professor Shaul Bakhash at George Mason University, Virginia, argues that Iran's cash assets dispute could be a component to a settlement. "If Iran is to exert influence in Lebanon, it needs something in return," says Ms Hunter, "and Iran desperately needs short-term cash to repair its economy."

Any decision to do so would probably signal far more about his Administration's desire to improve relations with Iran rather than the specific question of how to secure the release of American hostages held in Lebanon.

One critical question is the degree of control and influence which Iran may or may not have over the Shia Muslims holding the Americans. Iran is said to provide up to \$30m a month to factions in Lebanon, including \$5.5m to Hizbollah, the group which apparently controls the hostages through its different cells.

But Ms Hunter and Professor Bakhash both agree that the state interests of Iran — effectively led by the more pragmatic Mr Rafsanjani since the death of Ayatollah Khomeini — are diverging from the parochial interests of extremist Lebanese factions.

In the last resort, President Bush must make a fine judgement about when, if at all, to play the Iranian assets card in the current delicate diplomatic negotiations.

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Lange's heir likely to follow Lange's policies

Terry Hall reports on the accession of Geoffrey Palmer, New Zealand's workaholic prime minister

MR GEOFFREY PALMER has been elected New Zealand's Prime Minister to succeed Mr David Lange who unexpectedly resigned yesterday. Mr Palmer, who is 47, won on the first ballot of Labour MPs. He was Mr Lange's Deputy and is seen as a compromise acceptable to the party's left and right-wing factions.

The Labour MPs elected Ms Helen Clark, a left winger, as Deputy Prime Minister. Ms Clark, who is 37, was Labour's first woman backbencher and is regarded as one of the party's strongest and most pragmatic ministers.

Mr Palmer was Minister of Justice but has been a controversial figure as he was instrumental in promoting the Waitangi Tribunal which has led to problems over land rights issues with the Maoris. He was regarded as a loyal, hard-working but dull supporter of Mr Lange and is expected to continue his policies.

Mr Palmer beat off determined challenges from the Trade Minister Mike Moore and former Finance Minister Roger Douglas, the architect of the free market economic reforms which became known as Rogernomics — whose return to Cabinet was the main factor prompting Mr Lange's resignation.

New Zealand's new Prime Minister is the antithesis of David Lange. Where Mr Lange is witty, outspoken, unre-



A cheerful Geoffrey Palmer yesterday

dictate and a natural focus of attention in a crowd, Mr Palmer is introverted and by his own admission austere and a boring speaker.

Mr Palmer shared similar attributes to Ms Helen Clark, his deputy, who was elected by Labour PM's yesterday. Both are self-confessed workaholics and are little known to the public in spite of senior cabinet office.

Both come from university backgrounds. Mr Palmer, son of a newspa-

per editor, was educated at universities in New Zealand and the US, is an Oxford fellow, a former professor of law at three universities and an expert in constitutional law.

Ms Clark, a former anti-Vietnam war and anti-apartheid activist spent eight years lecturing in the political sciences at Auckland University. She has adjusted her left wing theories since becoming a Cabinet minister.

Mr Lange once joked that her current acceptance of right wing economics had turned her into someone who was "so dry she is combustible".

Mr Lange who at 47 is the same age of Mr Palmer considered him his most trusted lieutenant. For five years Mr Palmer served as deputy prime minister, being particularly active during Mr Lange's frequent overseas tours.

Mr Palmer was viewed as Mr Lange's heir. The two men held similar views on major issues though Mr Palmer is widely regarded as a compromiser.

The election of Mr Palmer and Ms Clark was greeted with joy yesterday by the opposition National Party which believed neither had voter appeal.

Mr Palmer's attitude on foreign affairs is not clear. He spent many years in the US and is pro-American. But he is expected to continue his party's anti-nuclear stance, and not permit the return of nuclear ships from either Britain or the US into New Zealand

ports.

It is assumed he will continue Mr Lange's outspoken attacks on the Japanese and Taiwanese wall of death fishing methods which are decimating fishing grounds in the South Pacific. Mr Palmer's first big foreign affairs problem is expected this week when a decision is due to be made by the New Zealand Government on whether to spend up to \$2bn on a joint venture with the Australians to build frigates.

Mr Lange was determined this project would go ahead but it is opposed by a small Labour MP.

However, Labour chances of re-election are most likely to focus on domestic economic issues and the still troubled economy. A leading issue will be the presence in the Cabinet of Mr Roger Douglas who has vowed to promote his own policies. Mr Douglas looked the loser from yesterday's voting and much will depend on the ministerial post he is offered to see how much influence he can command. Mr Palmer has hinted Mr Douglas will be given a post away from the finance area.

Both Mr Palmer and Ms Clark are believed to support a continuation of the reformed economic programme — a milder form of Rogernomics introduced at a slower speed — which is now firmly under the control of Mr David Cargill, who succeeded him as Finance Minister.

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WORLD TRADE NEWS

S Africa's neighbours 'have lost 1.5m lives and \$45bn'

SOUTH AFRICA'S military and economic actions against its neighbours over the past eight years have resulted in the death of 1.5m people and the displacement of 4m others, according to a report presented to the Commonwealth foreign ministers' meeting, Chris Sherwell reports from Canberra.

The report, by the Harare-based Southern African Research and Documentation Centre, speaks of a "holocaust" and says most of the dead are children. It estimates the economic cost to the six "frontline" states at more than \$45bn.

Commissioned by the ministers, the 180-page report also draws attention to the ecological impact of Pretoria's declassification strategy. In southern Angola, it says more than 100,000 elephants have been slaughtered to help pay for the war there, while Mozambique's nine national parks have been destroyed.

In addition, it reports that South Africa last month test-launched an intermediate-range ballistic missile developed with Israel's help and capable of delivering a nuclear warhead as far north as Angola and Tanzania.

Apart from the documentation cited by authors Mr David Martin and Ms Phyllis Johnson, independent verification of all the claims - some of which are startling in their magnitude - will be difficult to obtain. They also seem likely to be challenged by Pretoria.

Of the deaths, the report says these have occurred through direct military action or indirectly through the disruption of the delivery or production of food and destruction of health facilities and immunisation programmes.

"In Mozambique and Angola, a child is dying every three and a half minutes," the report says. "That is the equivalent of a jumbo jet full of children crashing every day." It adds that Angola has, per capita, the world's largest population of homeless people. And beyond the 4m people said to have been displaced from the homes on South Africa's borders, it says "twice that number are reliant on emergency food aid."

The estimated figure for costs of \$45bn, which is described as conservative, is broken down to include Angola (\$22bn), Mozambique (\$12bn), Zambia (\$7bn) and Zimbabwe (\$8bn), with the remainder attributed to Botswana and Tanzania.

The aim of South Africa's strategy, says the report, is to ensure economic dependence, to force the signing of formal security agreements and encourage recognition of the "homelands" system of ethnic representation.

Troops out on streets of Rangoon

By CHH Tun in Rangoon

RANGOON was heavily patrolled by troops yesterday, the first anniversary of last year's protests in the "democratic revolution" which were crushed by the army.

The democratic revolution led to the retirement of Burma's Paramount leader U Ne Win, the fall of three presidents and the end of the 26-year one-party authoritarian rule of the Burma Socialist Programme Party.

Military trucks carrying units of troops stood guard at potential trouble spots in the Burmese capital yesterday especially near the Rangoon university campus and the offices of opposition political parties including the National League for Democracy (NLD).

Mobile units on trucks patrolled the streets, proclaiming through loudspeakers the martial law restrictions on assemblies and processions.

This massive show of force prevented a repeat of last year's pro-democracy demonstrations, and the anniversary passed without incident.

However, observers say other measures taken by the Government in recent weeks had made it impossible for any political party or student group to observe the anniversary.

They pointed to the demoralising effect of the house arrest of Aung San Sun Kyi, 44-year-old NLD general secretary, and retired army general Tin U, its president.

Britain said yesterday it was very concerned about the plight of the British husband of opposition leader Aung San Sun Kyi in Burma. Reuter reports from London.

The British Government had told the Burmese authorities it was intolerable that British diplomats had been refused access to Mr Michael Aris, a Foreign Office spokesman said.

Pressure builds against Pretoria

Chris Sherwell on Commonwealth plans to step up trade sanctions

COMMONWEALTH heads of government, and Britain in particular, will be under pressure to intensify trade restrictions on South Africa when they meet in Kuala Lumpur in October.

A 222-page report on sanctions published yesterday says that trade bans are necessary to reinforce the success of financial sanctions and to demonstrate the way forward to other countries.

The Hanlon Report, named after its co-ordinator Joseph Hanlon, was commissioned by an eight-nation committee of foreign ministers set up to guide Commonwealth efforts to dismantle apartheid. The ministers discussed the report yesterday during their three-day meeting in Canberra.

Although they insisted they were united on the need to intensify sanctions, some Commonwealth countries want comprehensive trade sanctions as soon as possible, while others want to win broader international support first.

The real decisions on the report's 30 recommendations will be taken in Kuala Lumpur. But the arguments behind them will come under international scrutiny, outside and inside Commonwealth, as well as in South Africa.

"Pretoria will be pushed to the conference table only when the minority is put under

TRADE WITH SOUTH AFRICA (percentage share of total trade*)			
	1983	1985	1987
Western Europe**	49	53	55
East Asia***	21	27	28
North America	21	19	13
Nordic states	3	3	1

*Combined imports and exports.
**EU members plus Austria, Sweden and Turkey.
***Japan, Taiwan, South Korea, Singapore, Hong Kong, including re-exports of latter two.

QUOTE: "As the US, the Nordic states and some Commonwealth countries reduce trade, some Asian and European countries are taking their place. West Germany and Japan are now South Africa's biggest trading partners... Taiwan, Hong Kong and probably South Korea are also significantly increasing their trade. In Europe, Nordic and French total trade is down. But West German trade has increased so much that it is now number one, pushing Britain down to third position."

Source: Final report of experts' study on application and impact of sanctions

enough pressure to have a noticeable impact on living standards," the report says. "This means it will be necessary to substantially widen and tighten existing measures, and to act quickly."

Timing is important because South Africa will be "particularly vulnerable" in the coming two years. In that period its agreement with international banks on short-term debt will expire, and another \$3bn in longer-term debt will fall due, says the report.

"Any new measures during 1990-91 will compound the economic problems that the apartheid state already faces."

The intensification should begin with the announcement

Africans: a ban on vehicle and spare parts sales, to increase local car production, and another on computer technology, to curb automation.

Other measures would tighten the embargo on arms and high technology by preventing the sale of "dual use" equipment and of all computers, software, electronic and telecommunications equipment.

The report says sanctions should apply to "South African-controlled" companies, that special enforcement units should be established.

Of existing sanctions, it says the arms embargo has made it difficult for South Africa to obtain modern weapons systems and the oil embargo has cost it \$5bn. It reckons foreign trade has dropped 7 per cent and points to the isolation caused by sports and cultural boycotts.

All this, it adds, has restricted Pretoria's military adventures and promoted some talks and internal concessions. But it says the measures have failed to achieve the main political goal, genuine negotiations with representatives of the black majority.

To be politically effective, the report judges, sanctions need to cut world-wide purchases from South Africa by at least a quarter.

HK airlines can apply for Vietnam link

CATHAY Pacific Airways and Dragonair have been given the go-ahead by the Hong Kong Government to apply to the colony's Air Transport Licensing Authority (ATLA) for licences to fly to Vietnam.

The move paves the way for the first scheduled air links between Hong Kong and Vietnam since 1975. Both airlines are now free to compete before ATLA for licences to operate scheduled services to Ho Chi Minh City and Hanoi.

Once granted, the onus would be on Hong Kong to negotiate a bilateral air services pact with Vietnam which could involve Air Vietnam flying into Hong Kong, or a profit-sharing accord.

The change of heart on the issue by Hong Kong comes when it is involved in sensitive negotiations with Hanoi over the repatriation of thousands of boat people.

Air links would help address Hanoi's concerns over stimulating economic growth, as interest in Vietnam as a tourist and business destination is growing in the region.

Under the terms of the Sino-British joint declaration, the Hong Kong Government is now free to negotiate its own bilateral air services agreements with third countries.

Norway denies ship subsidies violate Gatt

By Karin Fossli in Oslo

NORWAY has denied allegations by the Shipbuilders' Council of America that subsidies to its shipbuilding industry are in violation of Gatt and OECD regulations. But it is satisfied that the complaint, raised also against West Germany, Japan and South Korea, is to be handled on a multilateral basis by Mrs Carla Hills, US Trade Representative.

Officials in Norway's industry and finance ministries say subsidies, which reached their highest since 1960 in 1981 at Nkr1.1bn (\$98m), are in accordance with Gatt and OECD regulations.

Norway's shipbuilding industry has all but been dismantled. High labour costs and rapid inflation have weakened the industry's competitiveness forcing shipbuilders, like Kvaerner, to relocate.

Last spring, Kvaerner bought British Shipbuilders' Govan yard and is contemplating similar acquisitions in other countries. The bulk of Norway's current shipbuilding industry comprises smaller yards building fishing trawlers and high-speed catamarans.

● Nancy Dunne adds from

Washington: The original petition filed in June asked Mrs Hills "to take all appropriate and feasible action to eliminate subsidies currently provided to the commercial shipbuilding and repair industries" of the four nations.

Mrs Hills could have moved for bilateral negotiations with each nation named, using threat of retaliation as leverage for a solution. Instead, she chose to take the case to Gatt, stipulating that if no progress is made in talks by March 31, 1990, she would take the bilateral route.

The petition accused the Norwegian government of offering a variety of preferential financing packages, direct grants, tax incentives and credit guarantees to bolster its shipbuilding industry.

It says that Norway, along with Japan, South Korea, and West Germany account for nearly 60 per cent of ships on order by deadweight tonnage, and nearly 40 per cent of the total on order as at the end of 1988. Elimination of foreign subsidies was essential if the US shipbuilding industry were to become viable again.

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By now you'll be well aware of Ford's Drive for Value, a whole range of special value programmes, special edition cars, new models and finance arrangements designed to give Ford drivers better value for money than ever.

This has meant keeping our maximum retail prices as low as possible for as long as possible.

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There couldn't be a better time.

Recently several models have received extra equipment at no extra cost. And maximum retail prices of some cars, like

the 2.0 OHC Granadas and Sierras have actually been reduced.

On top of that you can still buy special edition cars like the Escort Bonus. And there are still special models like the Sierra Lasers and Sapphire Classics whose maximum retail prices are £1000 less than the next models up the range.

And, perhaps most important of all, until August 31st you can still buy all the new Escorts, Orions and Sierras on Ford Credit's low rate finance plans from 5.6% APR. Ford Credit are licensed credit brokers.

For further credit details why not see your Ford dealer.

To get his name and address, or a catalogue, just call the Ford Information Service free on 0800 01 01 12. And make the most of Ford's Drive for Value.

Ford to hold their prices down until August 14th.



Silk industry threatened by shortage of supplies

By Alice Rawsthorn

THE international silk industry is threatened by a shortage of supplies due to dramatic growth in demand and the political unrest in China.

A newly-published report from the Economist Intelligence Unit says that the volume of silk from China, the chief source of supplies, has fallen for two years. As a result, demand for silk now exceeds supply.

Despite the attempts of the Chinese authorities to reassure the silk industry that supplies will not be disrupted by the recent political turmoil, the EIU expects that the shortage will be worsened by the political problems.

Silk is one of the world's most ancient trades, tracing its origins to Alexander the Great's conquests in the East in the fourth century BC.

China has dominated the world market for centuries, although, until recently, Japan was also an important source of silk.

Demand for raw silk from the European industry - concentrated around Lake Como in Italy and at Lyon in France - has increased steadily for several years.

Similarly, the Japanese textile industry, no longer able to rely on domestic supplies, has increased its orders from China.

At a time of rising demand, the volume of silk supplies has suffered from the impact of bad weather on the Chinese harvest. The trade was also disrupted by the attempts of the Chinese authorities to deregulate the silk trading system through the old economic reform programme.

There has been further disruption due to the increase in silk fabric production by China. The EIU estimates the value of China's overall silk exports at \$1.3bn (\$783m) in 1987 and expects it to double by the end of the century.

Although India and Brazil have boosted their raw silk output in recent years, their production is insufficient to compensate for the shortfall of supplies from China.

The World Market for Silk Products published by the EIU, 40 Duke Street, London W1A 1DW, £75.

Indonesia N-plant deal in offing

NUCLEAR PLANT builders are preparing to compete for one of the rare construction contracts their sector has seen in recent years - in Indonesia.

Mr Djali Alhimsa, director of Indonesia's nuclear energy agency, said he had been asked to begin preparations for construction of a nuclear power station, expected to be on the island of Java. Indonesia made a feasibility study for such a plant in 1986, but the project has since appeared dormant.

Nuclear plant builders, who in the past five years have had hardly any contracts to compete for outside China, were, however, cautious about the project being concluded.

France's Framatome, which carried out the 1986 feasibility study, has since formed a partnership called Nuclear Power International with the Kraftwerk Union subsidiary of West Germany's Siemens group, to bid jointly for contracts outside their own countries.

UK NEWS

Labour 'soft left' endorses revised nuclear strategy

By Michael Cassell, Political Correspondent

LABOUR'S "soft left" has voted decisively in favour of the party's decision to abandon unilateral nuclear disarmament in favour of negotiating away Britain's nuclear arsenal.

The Labour Co-ordinating Committee, the party's largest pressure group which includes 40 MPs among its members, has voted nearly three-to-one in support of the new defence strategy, which is expected to be endorsed at the party's autumn annual conference.

But the committee says it supports the policy change as a way of ridding Britain of nuclear weapons within the lifetime of a Labour government, a target which Mr Neil Kinnock, the Labour leader, has refused to accept.

In spite of such grass-roots support, the new defence strategy will still provoke one of the most passionate debates during the Brighton gathering. The TGWU transport union, Labour's largest affiliate, will vote against the new strategy and a large number of resolutions against the new line have been tabled.

Several resolutions reaffirm the party's commitment to unilateral action. There are calls for the immediate cancellation of the Trident submarine missile system as well as demands for a deadline to be set on the

removal of all nuclear weapons from British soil.

Even so, the party leadership is confident of winning approval for the new strategy, which it believes will help restore Labour's popularity.

The LCC claimed yesterday that the ballot result represents the first real test of party opinion since Mr Kinnock pushed the defence policy changes through the party's national executive committee earlier this summer.

The LCC played an important part in the early 1980s in bringing about Labour's commitment to unilateral disarmament. A committee representative said yesterday that the ballot result indicated the defence policy review would receive overwhelming support from delegates to this year's conference.

She added: "Support for these changes does not imply acceptance of nuclear weapons. There is a wide consensus throughout the party that nuclear weapons have no role in the defence of Britain and that they do not deter would-be aggressors."

Labour will support the new policy because we believe it is the quickest way to get rid of nuclear weapons from British soil and from British waters."

Ex-UTC man for trial on insider dealing charges

By Raymond Hughes, Law Courts Correspondent

MR MALCOLM Gooding, a former employee of UTC, the financial services group, has been sent for trial at the Central Criminal Court on eight charges of insider dealing.

The charges relate to alleged dealing in the shares of Hawtill Whiting Holdings, a design and engineering services company, in September 1987, just before Hawtill announced receiving a £37m takeover bid from First Security Group.

Mr Gooding, charged under

the 1985 Company Securities (Insider Dealing) Act, is alleged knowingly to have obtained price-sensitive information from a Hawtill director.

Gooding's defence yesterday committed Mr Gooding for trial and continued his unconditional bail. Reporting restrictions were not lifted.

The Department of Trade and Industry, which handles insider dealing prosecutions, has seven other such cases before the courts.

Parkinson rules out big changes in roads policy

By Richard Donkin

MR CECIL Parkinson, Transport Secretary, yesterday ruled out any revolutionary cure for Britain's chronic traffic problems and said short-term improvements could be made in the system.

He did, however, commit himself to implementing the £12bn road development programme - more than double the present spending - proposed by his predecessor, Mr Paul Channon.

Visiting the Transport and Road Research Laboratory near Bracknell, Berks, as part of a four-day fact-finding tour, Mr Parkinson said he would give safety the highest priority.

"What I have seen today is that you can manage with the existing road system. A lot of work is going into that," he said.

Mr Parkinson saw demonstrations of an experimental "intelligent" traffic light system which scientists claim could save £150m a year by cutting traffic congestion.

The computerised system on trial at 20 sites throughout the UK until the autumn could be installed at 5,000 junctions if it receives Government approval.

Mr Parkinson said he would pursue the recommendations of his predecessor in the transport white paper. "There is a commitment on the part of the Government to substantially increase the road programme," he said. "Nothing I have seen in the past few days makes me think it is any less pressing for me than for him."

The Transport Secretary was given a demonstration of a motorcycle collision designed to illustrate the problem of leg injuries suffered by 50,000 riders a year at an annual cost to the country of £150m.

The laboratory has designed safety features for cars and motorcycles which it is lobbying to have adopted across Europe.

Mr Parkinson is planning further visits this week to the Air Traffic Control headquarters, the Channel tunnel and the Dover Ferry terminal.

Irish detour keeps Japan's trucks rolling in

Kevin Done on imports that could strain a long-standing 'gentlemen's agreement'

HINO, the leading Japanese truck maker, is making increasing inroads into the UK heavy truck market with vehicles exported from an assembly plant in Ireland.

Hino sales in the UK are rising sharply in spite of a long-standing so-called "gentlemen's agreement" between the Japanese and UK motor industries, under which European heavy truck makers selling in the UK believed that they were largely protected from Japanese competition.

Since the late 1970s Japanese vehicle makers have agreed not to seek to penetrate the UK heavy truck market with direct exports from Japan. However, the agreement between the Japan Automobile Manufacturers' Association and the UK Society of Motor Manufacturers and Traders does not cover Japanese vehicles assembled in Europe.

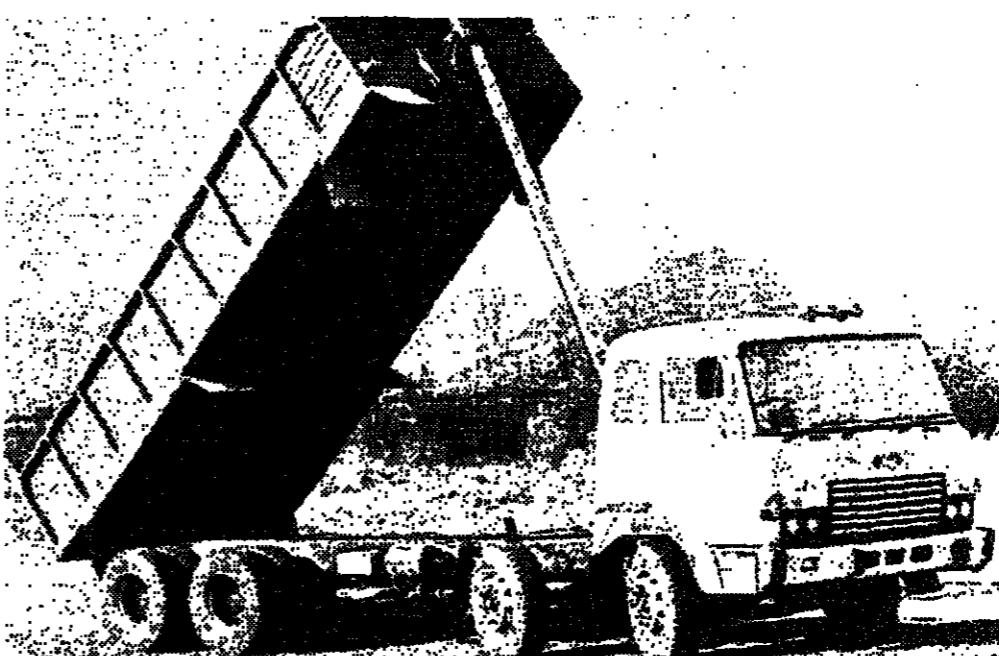
Earlier attempts at the beginning of the 1980s to bring Hino trucks into the UK from Ireland petered out with only tiny volumes being sold, but Hino's Irish importer and distributor has begun a serious effort to penetrate the UK market in the last 12 months.

The trucks are assembled by J. Harris Assemblers, a privately-owned company in Dublin. It holds the Hino franchise for the Republic of Ireland and the UK.

Subsidiary, Harris (UK), in Richmond, North Yorkshire, which has set up a 23-strong dealer network and has applied for membership of the SMMT. That is expected to be granted in September.

Harris has been able to exploit the long delivery delays experienced by some traditional truck sellers in the UK, which have been unable to keep up with booming demand.

The official vehicle registra-



Tipped for success . . . Hino trucks like this are making significant market inroads

tion statistics are still in the process of catching up with Hino's arrival in the UK, but the SMMT estimates that Hino's registrations totalled more than 300 last year.

That performance has already been beaten in the first six months this year with an estimated 317 trucks registered by the end of June, of which 139 were in June alone.

Harris (UK) has targeted Hino trucks almost solely at the specialist end of the market for rigid four-axle and three-axle tipper trucks, for which the main demand comes from the construction industry. The growth of construction work has made this one of the fastest growing segments of the truck market, with new registrations rising by 33 per cent in the first six months to 2,581.

Hino took an 8.3 per cent share of this segment in the first half of the year with 214 four-axle tippers registered. That figure is probably understated because SMMT statistics for Hino are incomplete.

This left the Japanese trucks behind the segment leaders Volvo, Foden, Daf (Leyland Daf) and ERF, but it took Hino ahead of big European truck makers such as Iveco, Ford, Scania, MAN and Seddon Atkinson (Enasa).

In June alone Hino led sales in this segment with a share of 23.2 per cent.

Mr Brendan Fitzgerald, sales and marketing director of Harris (UK), refused to comment to the Financial Times on Hino's rapid UK growth, but in a recent trade press interview he said the company was planning to add 24-tonne and 17-tonne trucks and eventually was aiming to offer a complete

7.5-tonne to 38-tonne range.

The heavy truck industry has been one of the few sectors of the European motor industry left relatively untouched by Japanese imports, but Hino's early performance in the UK suggests that there could be a wider market for Japanese trucks in Europe.

The efforts of J. Harris Assemblers have already ensured that Hino is market leader in the tiny Irish truck market, with a share last year of 16.3 per cent.

In April the SMMT and JAMA said in a joint statement that JAMA had confirmed that "there had been no change in their members' policies with respect to heavy goods vehicles."

In Tokyo Hino refused to answer questions on its growing truck sales in the UK and Republic of Ireland. Mr Masa-

hiro Iwasaki, a Hino official, would give no indication of the company's planned shipments of truck kits from Japan for assembly in Europe this year.

Earlier this year Mr Giorgio Garuzzo, chief executive of Iveco of Italy (western Europe's second largest truck maker which also has management control of Iveco Ford Trucks, the UK market leader), called for temporary protection for the European commercial vehicles industry from the threat of Japanese imports.

He insisted that it was necessary to "protect the ongoing restructuring process of European industry."

"Protection of this kind that does not include the obligation of a European content of at least 80 per cent and of European control over basic technologies, particularly engine technologies, would be pure hypocrisy," he said, adding that there was "a risk of destabilising European industry."

Although there is some unease among UK truck makers about the increasing Hino presence, the UK motor industry is in a difficult position to object.

It is now fully supporting government policy to make the UK the main base for the assembly of Japanese cars for export to other European countries. That might make it more difficult to protest about Japanese trucks entering the UK from Ireland.

It could seek to object on grounds of local content, however. Japanese car makers who are developing assembly plants in the UK have committed themselves voluntarily to reaching an 80 per cent local content level, whereas the J. Harris Assemblers operation in Dublin is believed to be largely assembling kits imported from Japan in a so-called screw-driver operation, with a much lower EC local content.

FROM UP HERE,
YOU CAN REACH MANY
MORE OF EUROPE'S
BUSINESS TRAVEL
DECISION MAKERS

Move to survey pensions market

By Eric Short, Pensions Correspondent

LONDON and Manchester Group, the Exeter-based life assurance and financial services group, is making a survey of the expanding UK pensions market.

Mr Laurence Smith, pensions marketing manager of London and Manchester (Pensions) has asked 53 life companies to take part in this first survey of what is a large marketing sector for the companies.

The success of the new-style personal pensions has highlighted the growing importance of the sector and the need for adequate and up-to-date statistics.

Mr Smith has found that the sources of information from the returns made by life companies to the Department

of Trade and Industry and to the Association of British Insurers are not readily accessible for market research.

He says that such information is awkward to interpret and could be misleading.

There is no standard format for providing pension marketing details.

London and Manchester has designed a variety of forms seeking information on all types of pension business transacted by life companies, such as personal pensions, additional voluntary contributions and company pension schemes.

The information sought, on business done in 1988, includes type and source of business

and size of existing portfolios.

Mr Smith feels that life companies have more to gain by having a complete picture of the market and they would lose by providing details of their situation to competitors.

Initial reactions to the survey have been mixed with about a third of companies contacted being willing to participate. Although only a few companies have refused, they include household names, whose participation is essential to the success of the survey.

Mr Smith hopes to persuade companies that it is in their long-term interests to participate in the survey and is optimistic of its eventual success.

Thatcher will visit Japan in September

By Michael Cassell, Political Correspondent

MRS THATCHER is to make an official four-day visit to Japan on September 19, it was announced from No 10, Downing Street yesterday.

The visit will be Mrs Thatcher's first to Japan since 1986 and is scheduled to include a meeting with the Japanese Prime Minister.

Mr Toshiki Kaifu, the ruling Liberal Democratic Party's third leader in two months, is due to be elected Prime Minister today.

Mrs Thatcher will attend a meeting of the International Democratic Union, an international conservative forum.

Her talks are certain to centre on Japan's increasing investment in Britain and within the European Community, as well as on attempts to raise the reverse flow of investment.

A recent House of Lords select committee report warned that Britain and the EC had large trade deficits with Japan and that the imbalances were set to continue.

It said that, unless the highest priority was given to narrowing the gap, Japan could develop an economic dominance in business, finance and technology "which could prove unstoppable."

Mrs Thatcher may also want to reflect the complaints of some companies that although the entry of Japanese businesses into Europe has been welcomed, penetration of Japanese markets has not always been made easy by domestic restrictions.

Sir Cyril sounds warning on future of Democrats

By Michael Cassell, Political Correspondent

SIR CYRIL SMITH, Democrat MP for Rochdale, yesterday accused his colleagues of jeopardising the future of the party by failing to work hard enough to win support.

Sir Cyril, for years a favourite with the party faithful, included himself in the criticism.

In a rallying call to the party, he said he and party members had sat on our backsides and assumed that the politics of reform was established, strong and safe.

The party is suffering from falling membership, a projected shortfall of £400,000 this year, and a low standing in the polls.

Sir Cyril said he was not prepared to see the vital role which the Democrats played in the nation's politics diminished.

He proposed holding nation-

wide rallies to generate support. He suggested 30 meetings, attended by longer-serving party members, such as Mr David Steel, the former leader of the Liberal Party.

Mr Russell Johnston, the Democrats' deputy leader, Mr Alan Beth, the party's treasury spokesman, and himself.

The rallies could be used to "appeal for money and for people to come to the cause of liberty and freedom," Sir Cyril said.

Sir Cyril said that British industrialists had to understand that, if the role of the Democrats was diminished, then it would be more likely that Labour would take power at the next general election.

The Democrats announced last week that the party has been forced to sack staff and to dismiss its network of area agents in order to cut costs.

Belfast airport expansion

By Our Belfast Correspondent

SHORT BROTHERS yesterday confirmed plans for a multi-million pound development of Belfast City Airport, which has been a great success since it opened six years ago.

The company plans a £7m investment which will provide a new passenger terminal, as well as aircraft-handling and car-parking facilities. There are also plans to improve navigation equipment.

The project is being supported by Bombardier, the Canadian group which is to take over Shorts next month after privatisation.

Shorts is seeking financial assistance from the European Commission for the project.

The airport opened in 1983 and handled more than 85,000 passengers in its first year, but traffic is expected to exceed 400,000 this year.

Situated only five minutes' drive from the centre of Belfast, it is particularly popular with business travellers anxious to cut down on travelling time to appointments.

It is also used by independent airlines who carry thousands of holidaymakers to resorts in Great Britain.

FINANCIAL TIMES
Wednesday May 3 1989

Eighty nations agree CFC ban and Third World aid

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EUROPE

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FINANCIAL TIMES
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UK NEWS

Canadian group to run Scottish newsprint plant

By James Buxton, Scottish Correspondent

ABITIBI-PRICE, the Canadian paper manufacturing company, is to take over the project to build a large newsprint plant at Gartoch near Glasgow.

Details of the agreement between Abitibi-Price and North British Newsprint, which has prepared the scheme, are expected to be signed by the end of this week.

The project, which could cost £100m, will use recycled waste paper. It is expected to produce 200,000 tonnes of newsprint a year on the site of a British Steel mill which closed in 1986. It should directly employ more than 200 people.

Details of the agreement with the Toronto-based company will be released after it is signed.

The Gartoch project is the brainchild of Mr Christopher Wilkins, chairman of Stirling Fibre, a Scottish waste paper company. Its subsidiary, North British Newsprint, developed the project with the help of Finnish technical consultants and financial advice from Schroders, the merchant bank.

The scheme suffered a setback earlier this year when North British Newsprint parted company with Kajaani, a Finnish paper manufacturer which had been expected to assist in running the plant and

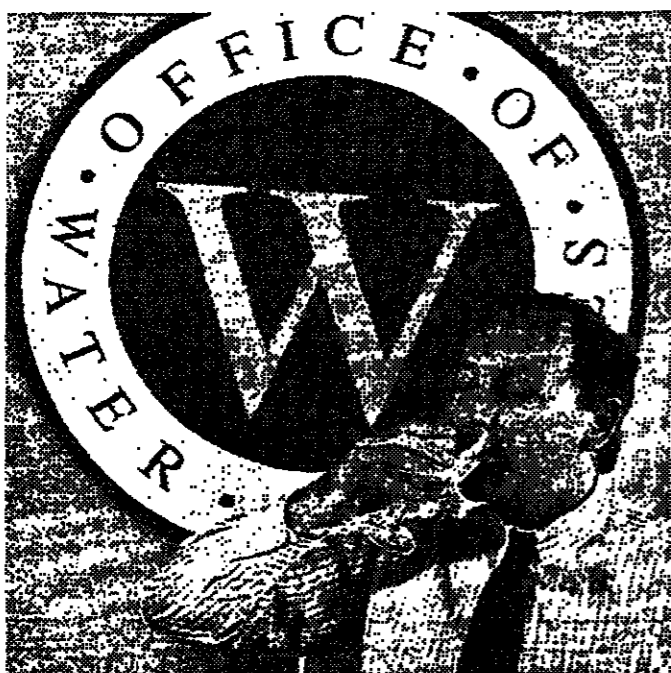
to take an equity stake in it. When Kajaani decided to merge with United Paper Mills, another Finnish company, North British Newsprint preempted Kajaani's expected decision to pull out of the scheme by telling it that it no longer wanted Kajaani to be involved.

By then £75m of long-term financing had been secured from the European Investment Bank, conditional on a high-profile partner being involved. All necessary permissions had been obtained for planning, efficient disposal and other needs and quotations obtained for machinery.

North British Newsprint subsequently decided to reduce the scale of its involvement in the project, by in effect selling it to a major company, though with the possibility of retaining a small stake. The Scottish company has already spent £1.2m on the scheme.

North British Newsprint is believed to have had detailed talks with at least one other big paper manufacturer before negotiating an agreement with Abitibi-Price.

Under the agreement Stirling Fibre is expected to obtain the contract to supply the mill with its raw material.



Ian Byatt: samples a glass of soon-to-be-privatised water

Water watchdog in 'arms length' pledge

By Andrew Hill

MR IAN BYATT, the new director general of water services, emerged blinking into the spotlight yesterday, promising to be an "arms length" regulator of the privatised water industry.

Mr Byatt - dubbed the DG of Ofwat (Office of Water Services) - will begin his task in September. If recent controversy is anything to go by, he may soon be longing for the low-profile of the Treasury, where he was deputy chief economic adviser.

"Water is very close to people's hearts - that could make the job very difficult. I don't expect to be the most popular person in the world, but I'm not taking this job on grounds of popularity," he said.

Mr Byatt's task looks more complex than that of the directors general of Ofgas and Ofel, who have regulated British Gas and British Telecom since privatisation.

The 10 public water authorities will be floated on the market in November. Mr Byatt will then have to balance the interests of consumers and the need for the authorities and the 29 statutory companies already in the private sector to carry out and fund the supply and dis-

posal of water. His principal weapon will be a cap on price increases, to encourage efficiency and protect the consumer from unjustified price rises. The authorities were given their initial price limits last week.

These limits can be reviewed every five or 10 years. He could also allow adjustments to the price caps, if the companies face new statutory capital expenditure requirements. Critics believe the Government may use that method to push through much higher price increases than suggested, but Mr Byatt was reassuring.

"My view is that what is sometimes known as the cost pass-through mechanism is not designed to deal with large amounts of money," he said.

Mr Byatt hopes 10 regional customer service committees will keep him informed on possible declines in service. His duties do not extend to the issue of the chair of water - the Drinking Water Inspectorate and National Rivers Authority share that brief - but for particularly wayward water suppliers he and his 100 staff will have the ultimate sanction of withdrawing a company's licence.

Owen seeks review of LBOs and junk bonds

By Michael Cassell, Political Correspondent

THE Government must formulate a coherent policy on the use of leveraged buy-outs and the spread of the junk bond market if it is to avoid the development of an industry geared to buying and stripping almost any diversified business, Dr David Owen, the leader of the Social Democratic Party, said yesterday.

Dr Owen said there was a powerful case for questioning the wisdom of permitting either phenomenon to take root in Britain, as this would abdicate responsibility for the long-term restructuring of the British industry to institutions whose sole interest was short-term profit maximisation.

He added: "The establishment of a sterling junk bond market would be a development of tremendous importance for the British economy and it would be grossly negligent of the responsible authorities to permit it to happen without a thorough review of the costs as well as the benefits."

The SDP leader called on the Government to refer, on the grounds of leverage alone, the £13bn bid from Hoylake for BAT Industries to the Mergers and Monopolies Commission. He said it should also announce that any future, hostile or highly-leveraged bid, in excess of £500m, would be automatically referred.

Dr Owen said ministers should then use the breathing space to carry out a thorough review to ensure that existing shareholders get a bigger share of any benefits accruing through the break-up of mature, diversified groups. They would also have to see that institutions holding money in trust for others were restricted in their level of exposure to "junk bonds" and leveraged takeovers.

Dr Owen said such action would send a clear signal to the market that the UK does not want to see the development of a domestic market in leveraged deals or in associated junk bonds. This would come at a time when the US authorities were concluding that the system posed an unacceptable threat to their economy.

"The Government is clearly reluctant to take any steps which, in their narrow view, constitute interference with the free market. But what they do not appreciate is that what appears to be in the short-term best interest of the free market may, in the longer-term, be inimical to the social market - and indeed to competition. For another way, leveraged buy-outs may be a good example of doctrinaire free enterprise shooting itself in the foot," he added.

Approval sought for leisure park

By Ian Hamilton Fazez, Northern Correspondent

ACCINGTON's answer to Disneyland - a £300m amusement dome for year-round summer and winter sports - was submitted for outline planning permission yesterday with claims that it would be "the largest and most comprehensive leisure development in the UK."

The 340-acre site near the M65 motorway is mainly occupied by the old Huncoat power station, which is being demolished.

The developer, Kesterbrook, was formed in March specifically for the project. It has a staff of three "going up to four shortly," according to Mr Patrick Hurst, a director.

None of the £300m estimated cost of the project has yet been raised. Mr Hurst said Kesterbrook was instead looking for "seed investment" of £2m-£3m to take the project forward.

The ten commandments of honest dealing

Richard Waters on the SIB's efforts to reform the nature of investment regulation

THE SECURITIES and Investments Board yesterday began its fight for a new form of investment regulation in the UK. Its aim: to reverse the decline into what it characterises as a complex, litigious and expensive regulatory climate and to reassert in its place a world where the spirit holds sway over the letter of the rules.

This grand undertaking may look like an attempt to turn the tide of history. But, according to Mr David Walker, the SIB's proselytising chairman, this essentially British approach will find favour as much among the many US, Japanese and continental European financiers who now ply their trade in London.

"People who come from an adversarial, litigious background would prefer an opportunity to play cricket," says Mr Walker.

The proposed new approach is laid out in a discussion paper published yesterday. It would not alter the regulatory structure set up under the Financial Services Act - the SIB overseeing a series of self-regulating organisations (SROs) and recognised professional bodies (RPBs), each of which acts as a self-regulator for a particular part of the investment world. But it would impose a new structure on the rules.

The SIB's paper proposes three tiers of rules and guidance:

● Principles. These ten broad statements - which will almost inevitably become known as the "ten commandments" - outline the basic requirements for investment firms: for instance, to observe high standards of integrity and fair dealing (the first commandment) and to act with skill, care and diligence (the second). SROs will be able to discipline firms that fail any of these, though they will not be legally enforceable.

● Designated (or "core") rules. These rules, of which there are 46 in the present draft, are laid down by the SIB and apply to all investment businesses. They are legally enforceable, and expand on the ten principles.

For instance, the first commandment (about integrity and fair dealing) is expanded into six core rules touching on



David Walker: Adversarial people might prefer an opportunity to play cricket

such things as independence, inducements, overcharging, churning and insider dealing.

In some circumstances, SROs will be allowed derogations from particular core rules, provided they can satisfy the SIB that investors will not suffer.

● A third tier of detailed guidance, made up of a mixture of rules (which would be legally enforceable) and codes of conduct (which would not). The codes of conduct would act as the investment world's equivalent of the Highway Code, giving practitioners (and the courts) a clear idea of what counts as acceptable practice.

This third tier would be drawn up by the SROs themselves - although they would have the option of staying with their existing rulebooks. The SIB, which also regulates businesses directly, would require such firms to follow the detailed rules of the SROs, enabling it to phase out its own detailed rulebook.

This new approach has been made possible by a series of amendments to the Financial Services Act which are contained in the Companies Bill, due for royal assent this autumn.

One of these has done away with the requirement for the rule books of the SROs to provide an "equivalent" level of protection to that of the SIB. The concept of equivalence, which prompted a slavish line-by-line

copying of rules, has been blamed for much of the unwieldy detail of rulebooks.

In its place, SIB will apply a new test of whether each SRO's rules are "adequate." This move, from an objective to a subjective test, will give the SROs more freedom to set rules which suit the particular part of the investment world they oversee.

A second legal change does away with an investor's right, under section 62 of the Financial Services Act, to sue for any breach of the regulatory framework. Breaches of principles and codes of conduct will be the subject of disciplinary action only by regulators.

Regulators have powerful sanctions, the SIB points out, such as the ability to levy hefty fines or restrict the type of business a firm carries out, and these will encourage compliance.

A further amendment restricts the right to sue to private investors: professionals are expected to look after themselves.

Will these changes achieve their ultimate aim, of reducing the cost of doing investment business in London? There is unlikely to be much change in the costs of the self-regulatory bodies themselves, which will run to about £50m this year.

True, the SIB will be able to throw its own detailed rulebook away after a transitional

period and rely on those of the SROs. But in place of the effort of overseeing detailed rules, Mr Walker sees an extended role for the SIB as an overseer of the SROs, monitoring performance more closely.

The SROs will also be expected to adopt a more positive role in monitoring and enforcing standards. This is part of the SIB's "deal" by which investment businesses are excused detailed rules in return for closer scrutiny by the regulators.

The picture is equally unclear for investment firms. They have generally welcomed the SIB's new approach, but it seems unlikely that life will become cheaper in the short term - indeed, it may even get more expensive as they have to adapt to the new rules. Many have only just got used to the existing rulebooks, complete with all their faults, and may resist immediate change.

Mr Walker's response: "There will be costs of adjustment in the short term. But I cannot sit back and decline to propose improvements where the present arrangements are inadequate in their cost effectiveness."

And what of investors? Will they suffer a lower level of protection in the interests of keeping London competitive?

This fear was fuelled earlier this year when Lord Young, then Trade and Industry Secretary, said that a cost-benefit

test should be applied to investment rules. This appeared to open the door to investment businesses to argue that some rules or procedures, while good for investors, were too expensive and so should be abandoned - putting the SIB in the position of having to judge when a desirable rule became too expensive to keep.

The cost/benefit approach has now disappeared, and is replaced in the SIB paper by the idea of cost effectiveness. The SIB is at pains to point out that its intention is not to decrease (or increase) the level of investor protection: just to make the system work more efficiently.

If anything, it claims the result for investors will be a positive one. It reasons as follows: until now, few chief executives have bothered themselves with the detail of self-regulation, preferring simply to pass on the rule books to their compliance officers.

This has resulted in inadequate attention to the aims of the Financial Services Act at a senior level in such businesses, and a consequent tendency among more junior people to believe that there is no harm in bending the detailed rules to their advantage. Compliance officers, carriers of the corporate conscience, have become relatively powerless.

The new statement of principles helps reverse this process, says the SIB. It is more likely to get the attention of senior people, and so help influence firms from the top down.

The SIB hopes to find a wider audience for its new approach to rule-making: exporting it to Europe is the next intention. This, though, is still a long way off. The European Commission's draft investment services directive leaves aside the question of harmonising such conduct of business rules.

It will be well past 1993 before this particular cause is fought - or before it is known whether the new approach can survive in the increasingly litigious and international business environment within the City itself.

Regulation of the Conduct of Investment Business: A Proposal, SIB, 3 Royal Exchange Buildings, London, EC3V 2NL. Comments by 29 September.

Fimbra suspends independent adviser for concealing offences

By Eric Short

AN INDEPENDENT financial adviser, Mr Roger Hardy Williams, who was convicted of two offences involving deception earlier this year, was yesterday suspended from transacting investments business by the Financial Intermediaries, Managers and Brokers Regulatory Association.

His firm, Budd Hulbert Williams, based in Maidenhead, Berkshire, faces disciplinary action for failing to provide Fimbra with details of the convictions of one of its members.

Under the 1986 Financial Services Act, firms and individuals transacting investment business must be authorised by the appropriate regulatory body. Individuals must conform with a test for "fitness

and propriety" to do their job.

Fimbra is responsible for regulating independent financial advisers and the smaller investment dealing firms not authorised by other regulatory bodies.

Mr John Pinniger, of Fimbra's communications department, said this was the first suspension of an individual for a criminal conviction. The action followed investigations by officials of Fimbra's external services department.

The complaints against Budd Hulbert Williams allege that the firm failed to comply with Rule 3.5.5, which requires firms to give Fimbra notice of any criminal convictions by a member of the firm.

Mr Williams, one of the three

directors of the firm, was convicted at Reading Crown Court on February 13 1988.

Fimbra's disciplinary powers include restriction of business or stopping the transaction of certain classes of business. At present, Budd Hulbert Williams is authorised to advise on and arrange life assurance, pensions and unit trust contracts, manage broker funds and handle clients' money.

However, there does not appear to be any question of clients' money being involved.

Mr Pinniger confirmed that Fimbra issues a blanket Rule 17 suspension on a firm if it considers there is a real risk to the investing public if the firm continues in business.

Such a suspension has not been issued against this firm.

Move to continue Paramount operations

By David Churchill, Leisure Industries Correspondent

MORE THAN 150,000 British holidaymakers may still be able to take their package tours this summer in spite of the collapse this week of Paramount Airways, one of the main charter airlines to continental holiday destinations.

Spicer and Oppenheim, appointed by the High Court on Monday as joint administrators of Paramount's operations, said last night that it was "confident that we will be able to continue Paramount's original

flying programme and thereby ensure that holidaymakers who are booked on Paramount holiday flights will not be disappointed."

However, the administrators stressed that completing the holiday programme depended on that of the airline's creditors connected with the airline.

The High Court appointed Spicer and Oppenheim to take over the running of Paramount following the company's technical financial insolvency.

It is understood that Paramount was in dispute with four operators including Redwing, Intasun, and Owners Abroad, over unpaid charter fees following new ownership of the airline last week.

This summer's 10 per cent volume slump in package holidays bookings may also have hit Paramount's operations.

The administrators' representatives will be at all the UK airports used by Paramount to deal with customers' queries.

Three WoodMac executives resign from County NatWest

By Richard Waters

ON MONDAY evening, Mr Tim Ferguson was introduced to fellow directors at County NatWest WoodMac, the equities arm of NatWest's investment banking subsidiary, as their new chief executive. By yesterday, it had emerged that three directors had resigned. No connection, claimed most of those involved.

Although the departures appear to be for very different reasons, it seems that County - still recovering from the devastating blow of the Blue Arrow affair - is not out of the woods yet.

Mr Ferguson replaces Mr John Chiene, the former WoodMac boss who ran the bank's equities arm since County absorbed his firm at the end of 1987. Mr Chiene is giving up his day-to-day responsibilities on the securities side, after 20 months, to take on the job of deputy chairman of County NatWest. From there he will

wield influence over the bank's policy and external relations, if not over the detail of operations.

Speaking about the decision to put Mr Ferguson in the chief executive's chair, Mr Chiene said: "It's a young man's business. I fully endorse his appointment."

The three departures appear to be for different reasons, not part of a concerted walk-out.

Mr Giles Varley, director in charge of Europe and derivative products, is leaving to rejoin Salomon, which he left three and a half years ago, as head of European equities sales.

"I've weighed up my options and I've placed my bets," he said yesterday, stressing that his departure was not connected to other moves at the bank. "I'm not leaving because of the restructuring. Far from it."

Mr Ian McBean, head of UK



Mr John Chiene (left) has handed over to Mr Tim Ferguson



WoodMac people, he opted to stay in Edinburgh rather than move to London when the firm's centre of gravity moved south.

Of the three, only the reasons for Mr Christopher Cartwright's departure remained

unclear last night, and he could not be contacted for comment. However, it is understood that Mr Cartwright, the former head of risk, resigned in reaction to what Mr Ferguson had to say on Monday night.

The message of that meeting was that County's equities business would be reorganised to combine the domestic and international operations. Mr Ferguson, who had run the firm's Tokyo operations, was being put in overall charge.

He was appointed by Mr Howard Macdonald, the County chief executive brought in at the start of this year.

This week's moves mark something of a watershed for the former WoodMac people who have run the business for approaching two years. Mr Cartwright and Mr McBean, like Mr Chiene, were with WoodMac.

Mr Ian McLean, another senior WoodMac employee who

became County's head of sales, left to join rivals Citicorp Securities in June.

Other senior WoodMac people remain. Apart from Mr Chiene, there is Mr Robert Norbury, deputy chairman and managing director of the securities arm, and Mr Scott Dobie, vice chairman. Senior employees in the firm claim that the departures are not the result of any "tribal warfare" against WoodMac.

WoodMac was bought by County at the end of 1987 in what amounted to a reverse takeover of County's securities business.

Built around the broking firm Fielding Newson-Smith and market makers Bisgood Bishop, County had been unsuccessful up to then.

This week's changes - substantially taking operational control away from WoodMac people - has turned the wheel full circle.



Slips at Business Mailing Services in which charred remains of Abbey National share certificates were found

Lloyds expects quick end to Abbey inquiry

By David Barchard

LOYD'S BANK said last night it was hopeful that its investigation into the disappearance of an estimated 300,000 Abbey National share certificates could be concluded soon.

Police and Lloyds officials have been investigating the disappearance of an estimated 300,000 of the 4.3m Abbey National share certificates posted on July 11, a day before the Abbey National stock market flotation.

A police statement said yesterday that 197 share certificates had been recovered from the charred remnants of several hundred thousand Abbey National share certificates which were found in two skips outside the Surrey Canal Road premises in Greenwich, London, of Business Mailing Services.

This company was one of four postal companies under contract from Lloyds for the Abbey National flotation.

Police at Brockley police station, which is carrying out the investigation, said that a man had been arrested on July 29, and later released.

The man, who has not so far been named, is due to meet police again on September 29.

One problem facing investigators, apart from the difficulty of establishing an exact motive and proof of the destruction of the certificates, is identifying the nature of any criminal charges.

Lloyds said yesterday that two possible charges could be the destruction of other people's property and interfering with the post.

It declined to comment on why Lloyds selected Business Mailing Services, a small mailing house, to handle a large part of the Abbey National mailing.

Relations between the bank and the mailing company have been complicated by a reported threat by Mr Alex Scott, owner of Business Mailing Services, to sue both Lloyds Bank and Abbey National.

Business Mailing Services, which operates from headquarters in a small industrial estate off Greenwich High Street, yesterday refused to speak to visitors about the affair.

Streamlining at pit will cost jobs of 200 miners

THE JOBS OF 200 miners are to go at Rufford Colliery, near Mansfield in Nottinghamshire.

British Coal said yesterday that it was streamlining work at the loss-making pit where one colliery will close. There will be no compulsory redundancies. Miners will be able to transfer to other pits in the area.

British Coal is to spend £5m on new equipment at the colliery.

Most of the miners are members of the Union of Democratic Mineworkers.

The minority National Union of Mineworkers was not invited to the talks but Mr Henry Richardson, its Nottinghamshire general secretary, said that he was gloomy about the chances of the pit surviving.

He predicted a further five Nottinghamshire pit closures within the next five years.

TECHNOLOGY

Louise Kehoe looks at developments in the US and Japan in the supercomputer race

Unrelenting struggle to stay in the lead

Supercomputers are the Formula One vehicles of the computer world - the fastest, most powerful, most expensive and most prestigious of machines. Racing at speeds of billions of calculations per second, they can reduce huge computational tasks to a few minutes' work. So US and Japanese supercomputers are competing in a closely watched "grand prix" with national pride as well as economic benefits at stake.

For years, Cray Research of the US has held lead position in the high-performance computing race. The company boasts a two-thirds share of the 350 or so supercomputers installed throughout the world.

But recently Cray's lead has been shortened by Japanese competitors. In a direct challenge to American supercomputer leadership, NEC, the Japanese computer company, earlier this year introduced what it claims is the fastest supercomputer in the world, with up to eight times the computational peak performance of the fastest Cray machine.

Although some US executives have dismissed the NEC announcement as a "paper tiger", few doubt the strength of the competition.

According to a survey of senior computer industry executives conducted by Technology Partners at its recent supercomputer conference in California, most believe that the US still retains a lead in supercomputer technology. They forecast, however, that it will take Japanese companies only about five years to catch up and that by the end of the 1990s Japan will be the pre-eminent manufacturer.

by US government agencies and by research establishments that receive funds from the US Defence Department, which together account for about 40 per cent of the US market.

In efforts to strengthen US supercomputing technology, legislation was recently introduced in Congress to create a \$2bn (£1.2bn), 3-Gigabit high-speed data network to enable US researchers to share more than 1,000 facilities to share computer power. The bill also provides funds for supercomputer and software research.

But, according to some analysts, the real Japanese supercomputer threat lies not in the race for higher Gigaflops but in the possibility that Japan's manufacturing industries may have greater access to supercomputers. They can use these to speed products, ranging from cars to integrated circuit chips, to market, beating their American competitors.



Eagle eye

To date, the US has far more supercomputers installed than any other country - about 50 per cent of the world total. Many, however, are used in government applications. In Japan, with about a third of the world's supercomputers, a much higher percentage is used in commercial research and development.

In some important areas of high-performance computing development, the US remains a clear leader.

"The Japanese have gone after the supercomputer market by taking a similar approach to Cray," says Jean-Yves Leclerc, president of Evans & Sutherland, a new US entrant in the supercomputer

field. "They are formidable competitors, but they have not been creative."

The limits of performance for traditional supercomputer architectures, based upon single, super-fast vector processors, are close to being achieved, E & S believes. The company has therefore chosen a different approach, which it says makes more efficient use of processing power.

Traditional vector processors, such as those owned by Cray, make inefficient use of computing resources, often delivering only a fraction of peak performance potential and virtually wasting the remaining resource, says Leclerc.

US national laboratories, which are among the major users of supercomputers, typically achieve only about 12 per cent of the peak performance of their supercomputers because application programs are not well suited to vector processing, he claims.

Instead, E&S has adopted the increasingly popular "parallel processing" approach in which computational problems are broken down into subproblems that can be tackled simultaneously by a set of processors working in parallel.

The E&S supercomputer, ES-1, fits in the middle of the supercomputer range with performance of 400 Megaflops (floating point operations per second) to 1.6 Gigaflops. This compares to a performance range of 330 Megaflops to 2.6 Gigaflops for Cray's fastest supercomputers. Prices for the ES-1 range from \$2.2m to \$8m, compared to Cray's range of about \$5m to \$30m.

Unlike several other recent entrants in the high-performance field, however, E&S has not adopted a "massively parallel processor" (MPP) architecture in which hundreds, sometimes even thousands of small processors are linked together.

The MPP approach is only suited to a narrow range of extremely specialised applications, E&S argues. In most cases a multitude of processors forces users to subdivide their computational problem into an

unmanageable array of sub-problems.

"A massively parallel machine can be compared to a cleaning service that dispatches 400 workers to clean a house. Six or eight would be fine - one for each room but 400 is a management nightmare," Leclerc explains.

A dozen or more companies are competing in the emerging market for massively parallel processors, creating intense competition. Many of these companies are start-ups with limited funding, and analysts anticipate a high drop-out rate.

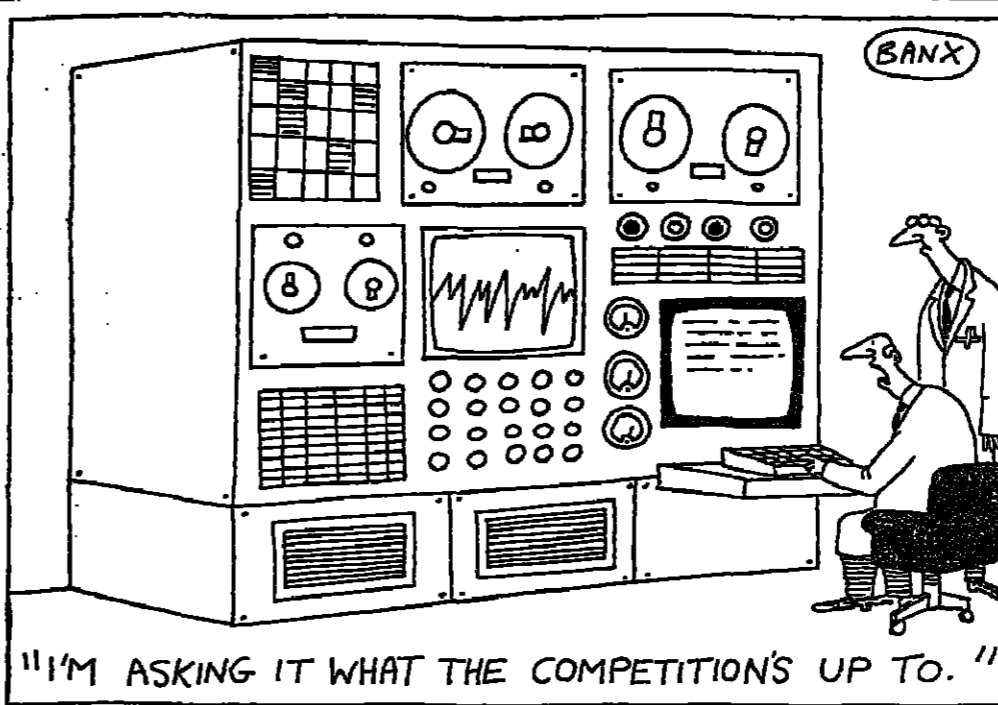
Among the leaders, however, are companies such as Thinking Machines of Cambridge, Massachusetts, Intel Corporation's Scientific Computer subsidiary division, Active Memories of San Diego and Ncube of Beaverton, Oregon.

The technology behind MPP computers has been around for several years and has a strong base of support in the US defence establishment. Commercialising MPP has proved more difficult, partly because programming MPP machines is notoriously arduous. But MPP supercomputers offer performance close to those of traditional supercomputers at a fraction of the cost. And market analysts say a broader market is developing.

Sales are projected to grow at a rate of 25 per cent per year to reach \$180m by 1993, according to Dataquest, the US market research firm.

Leading the field, Thinking Machines claims an installed base of about 10 per cent of the world's supercomputers with 1988 sales of \$31m. Recently the company signed a marketing agreement with Digital Equipment.

TM's Connection Machines comprise up to 64,000 interconnected processors. Among the advanced applications of these MPP systems is a recently introduced information retrieval system offered by Dow Jones News Retrieval. Personal computer users can access the service to search for business information.



Unlike most such services which require users to learn a set of commands or restrict the way in which they ask questions, the new Connection Machine-based Dowquest service allows users to ask plain-English questions such as: "What is the biggest computer company in Europe?" Each of the thousands of processors in the Connection Machine searches through a few of the articles in the database to provide a very fast response.

Also bringing MPP technology to the business market, Ncube has introduced what it claims is the most powerful supercomputer in the world, a MPP supercomputer for scientific engineering and business applications.

The Ncube 2 supercomputer comprises up to 8,192 processors delivering processing speeds of up to 60bn instructions per second and 27bn scalar floating point operations per second. Prices start at \$495,000.

Ncube has also announced that Oracle Corporation will adapt its widely used database management system software to run on the Ncube 2. Lawrence Ellison, Oracle's president, suggests that prospective users of the supercomputer-based data management system include large financial institutions, the health-care and pharmaceutical industries, and numerous government agencies.

He says that by using the Ncube supercomputer to run Oracle's software, business customers will be able to achieve five to 10 times greater

transaction processing rates than attainable at present on even the largest IBM mainframe computer - and at a fraction of the cost.

"The Ncube 2 decisively regains the US's lead in supercomputers from Japan and simultaneously opens an entirely new market for both supercomputers and business data processing software," Ellison says.

At Intel Scientific Computers a project to develop a prototype supercomputer has started with funding from the Defense Advanced Research Projects Agency (Darpa). The project is aimed at developing a system with as many as 2,000 processors, each with the power of a Cray-1 supercomputer.

Darpa will contribute \$7.6m in research funds over the next three years as part of the program's \$27.5m total cost.

"We expect to improve parallel computing performance levels 100 times over what they are today as well as create the software environment to give these powerful machines the look and feel of conventional computers," says Justin Rattner who heads the project.

A different approach to high-performance computing is being taken by a group of companies offering "mini-supercomputers", also known as general purpose departmental supercomputers - machines that offer performance close to that of a true supercomputer at

dramatically lower cost.

Among those in this field is Supertek, a California start-up company that makes "Baby Crays." Supertek's mini-supercomputers obey the same instructions that drive a full-scale Cray supercomputer, ensuring that existing applications can be transferred from a Cray to a Supertek machine.

Several of Supertek's customers already have a Cray supercomputer. They use the Supertek machine to offload work from the Cray, or to develop programs for the Cray, explains Mike Fung, Supertek's president and founder.

Rather than share time on a Cray, researchers like to have their own supercomputer, but costs are prohibitive. The next best thing is to have a dedicated mini-supercomputer.

"Toshiba recently bought one of our machines for a division that could not get enough access to their Cray supercomputer. Now they are running it 24 hours a day," Fung says.

Since launching the Supertek 1 last autumn, Supertek has sold more than 10 machines, set up a joint venture in Japan with Yokogawa and completed a marketing agreement with Nippon Steel. It is now working on its second generation machine, reducing 18 circuit boards to a single, highly integrated board with two to three times the performance of its present product.

This ambitious company aims next to attack the European market, possibly through another joint venture and to launch a public stock offering within the next two years.

Timely messages for the traveller

A paging device in a wrist watch is bidding to become the latest required accessory for the young, upwardly mobile professional. The wrist-watch pager might eventually allow businessmen around the world to send messages to each other which they can read on their watches.

"This has enormous potential," says Mr Michael LaTronica at Labe, Simpson and Company, the New York-based research analysts. "The revenues from watch-paging services alone could be worth \$1.5bn (\$925m) in the US just five years after their launch."

Three watch companies, Seiko of Japan, Timex in the US and SMIT of Switzerland, the maker of Swatch, are competing to bring their pagers to market during the next 12 months. Mr LaTronica believes the system used by Seiko is the most sophisticated. It uses technology supplied by AT&T, the Californian telecommunications company, and integrated circuits provided by Plessey Semiconductors of the UK. AT&T also plans to provide the paging service.

The AT&T system allows callers to send up to 99 standard messages such as "ring home" or "call the office" by tapping in numbers on the telephone keypad. The message is sent to a clearing house and transmitted by telephone line to about 170 FM radio stations across the US. AT&T has already signed 115 of the leases it needs to cover about 50 US cities.

The signal is transmitted by the radio station on unused frequencies alongside normal programmes. It is picked up by the watch through an antenna in the wrist-band and the message is displayed on the face. The product will be launched on the US west coast next year and will cost about \$260.

Timex, the US watch company, and Motorola, the US electronics manufacturer, have a similar wrist watch paging system which runs on traditional paging networks. Trial models will be available in November. Motorola's product will retail at \$300.

Paul Abrahams

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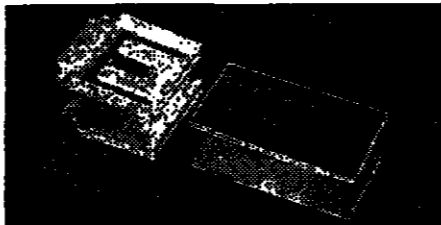
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JOBS

Chill winter in prospect for move-seekers

By Michael Dixon

JUST AS the weather in Britain turned hot, the executive jobs market did the opposite. What's more, the climate for managers and higher-ranked specialists seeking moves in the United Kingdom looks set to worsen before it gets better.

Demand for them in April-June fell by 13.4 per cent from the level of the corresponding three months of 1988, according to the MSL International consultancy's latest quarterly count of executive jobs advertised in UK national journals.

My expectation that the demand will fall further is based on the accompanying table, compiled from the consultancy's counts since mid-1984. It is true that the picture is not entirely black. In the top part of the table - which gives the advertised demand for the 12 months to June 30 - the latest period showed improvements over 1987-8 in half of the eight types of work listed, and the total was only 2.2 per cent down.

But gloomier omens lie in the counts for the three-month period summarised at the bottom of the table. The most recent three of them have brought two small slips then a distinct drop, and when that pattern last appeared in 1985-86, the

UNITED KINGDOM ADVERTISED DEMAND FOR MANAGERS AND KEY SPECIALISTS (12 months to June 30)

Type of work	1988-89	1987-88	1986-87	1985-86	1984-85
	Posts Change	Posts Change	Posts Change	Posts Change	Posts Change
	adver- from	adver- from	adver- from	adver- from	adver- from
	tised 87-88	tised 86-87	tised 85-84	tised 84-85	tised 83-84
	%	%	%	%	%
R & D	4,317 +14.6	3,768 +20.0	3,139 -38.2	5,082 -30.7	7,334 +0.3
Sales & mktg	4,708 -26.5	8,402 +3.8	6,165 -0.2	6,177 -6.8	6,631 -2.6
Production	6,537 -9.4	7,216 +46.9	4,913 -12.9	5,839 -22.0	7,230 +10.7
Accounting	7,377 -7.1	7,942 +14.2	8,954 +9.3	6,384 -3.0	6,561 +14.1
Computing	4,393 +2.9	4,270 +21.3	3,519 -10.0	3,909 -6.4	4,178 +15.0
General mgt.	1,457 -16.5	1,744 +22.2	1,427 +12.8	1,267 -1.4	1,285 -2.9
Personnel	1,218 +14.5	1,064 +2.1	1,042 +17.5	887 -15.2	1,048 +7.0
Others	8,472 +22.2	6,932 +13.3	6,118 +6.3	5,764 -10.4	6,424 +29.2
Total	38,477 -2.2	38,336 +18.2	33,277 -5.1	35,078 -13.6	40,688 +9.0

decline continued for another nine months.

Nor is there much cheer in the breakdowns by types of work for the April-June quarters of this year and 1988, which are as follows:

Type of work	April - June 1989	April - June 1988
R & D	977 1,013	1,140 1,588
Sales & mktg	1,447 2,219	1,813 2,038
Production	884 1,389	344 448
Accounting	335 232	2,536 1,676
Computing	344 448	
General mgt.	335 232	
Personnel	2,536 1,676	
Others	9,178 10,593	

The evidence from MSL's checks on four sectors of industry was distinctly mixed. One - energy related industries - showed a 62.4 per cent increase with 807 executive jobs advertised in April-June as against 497 in the corresponding quarter of last year. There was a marginal improvement in the count for food, drink and tobacco companies: 239 compared with 230. On the other hand, high-technology concerns offered only 712 posts as against 963 in April-June 1988, a 17.5 per cent drop. Retailing's count

fell by 16 per cent to 252 compared with 300.

Meanwhile, however, City of London banks and the like have evidently bucked the declining trend of the overall UK executive market by increasing their demand. The Jonathan Wren recruitment consultancy in the City says it was asked to find more than 1,800 upper-ranked staff in January-June, about 30 per cent more than in the first half of last year.

Of the 1,800 openings, just over a quarter were with UK banks and brokers and a similar number with US-

owned organisations. Those headquartered in the Far East and in Continental Europe contributed about 18 per cent apiece, with the rest coming piecemeal from other overseas concerns.

The breakdown by broad kinds of work was:

Type of work	%
Lending	31.3
Foreign exchange	26.7
Equities	11.1
Futures, options etc	10.1
Fund management etc	9.0
Bonds	7.2
Corporate finance	4.6

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World chemicals

Why ICI believes people need space

In reshaping itself to counter a recession in the early 1980s, Britain's biggest manufacturer has emerged with an unusually flexible style and 'fuzzy' organisation that it claims encourages the implementation of ideas. Peter Marsh reports

The world's chemicals industry, which a few years ago was in steep decline, has made a startling recovery – and now has the climb back from recession been more remarkable than in the case of Imperial Chemical Industries.

Britain's biggest manufacturer, and the world's fourth largest chemicals group, at the turn of the decade was in deep trouble. The company was losing money, its managers were confused and depressed and in business terms it had lost its way. Too many ICI products were coming out of old-fashioned, capital-intensive plants for markets which no longer appeared to exist.

The contrast with 1989 could hardly be more striking. The company, like many other chemicals groups, has for the past two years ridden high as the result of unexpectedly good demand for many types of industrial and consumer chemicals. It will probably this year post a taxable profit of around £1.7bn on sales around £13bn.

Underpinning the turnaround have been the broad changes in the world's \$600bn-a-year chemicals business – a huge and highly diversified set of manufacturing operations which feed into just about every other production and consumer activity.

Many of the world's large chemicals companies have risen from the recession by putting emphasis on newer, more specialist materials which have higher margins and are less linked to the ups and downs of broad economic cycles. These companies – which include BASF, Bayer and Hoechst of West Germany, the world's three biggest chemical groups, together with Dow Chemical and Du Pont of the US – have also spread their businesses more broadly from a geographical point of view.

ICI has followed this path, with a vengeance. "I think they were more determined than anyone else (in the chemicals business) to make a firm break with the past," says Michael Rover, a chemicals expert at the Munich office of McKinsey, the management consultants.

Nowadays ICI is more diversified than any other large chemicals business, with activities ranging from bulk production of ethylene and other petrochemicals to manufacture of composite materials, seeds, electronic chemicals and biotechnology-based industrial enzymes – fields which ICI has entered in the past decade.

On top of that the company has built on the high-value chemicals areas in which it was already involved at the end of the 1970s, such as pharmaceuticals, crop-protection compounds and paints. "ICI is not just a chemicals group any more," says Roger Shamel, president of Consulting Resources, a Massachusetts consultancy. "It's shaping up to be one of the mega companies of the 1990s."

In parallel with the switch into the specialist areas of chemicals, which now account for about half the company's sales and profits compared with 30 per cent in 1980, has been expansion into global markets.

ICI, since its formation in 1926 as a result of a merger between four UK chemicals groups, has always had more of an overseas orientation than many other British manufacturing groups. It was "imperial in name, and imperial in aspect," according to one of the company's early planning documents.

The concentration on the old empire countries was countered by a drive by the company into continental Europe and the US in the 1960s and 1970s. But even in 1980 Britain accounted for 42 per cent of the company's sales; last year that figure was cut to about a quarter with revenues from the rest of Europe and North America having climbed steeply in the interim.

While at the turn of the decade nearly three-fifths of ICI's employees worked in Britain, the proportion today is just over 40 per cent. The total numbers have declined slightly from 143,000 to 130,000. Large job cuts from the heavy chemicals side of ICI's business have to some degree been made up by extra people coming on to the payroll in the newer, specialist areas, partly through acquisitions.

The spread of ICI's operations, both in product areas and geography, involves obvious management problems. "All that diversity gives you incredible strength," says Shamel. "But you've also got to be very good at managing it all."



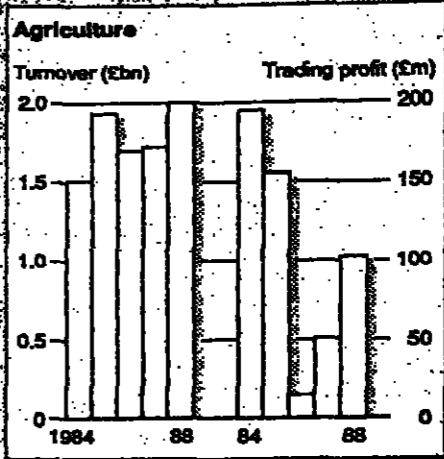
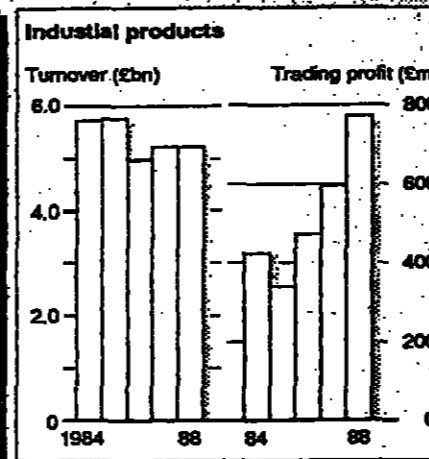
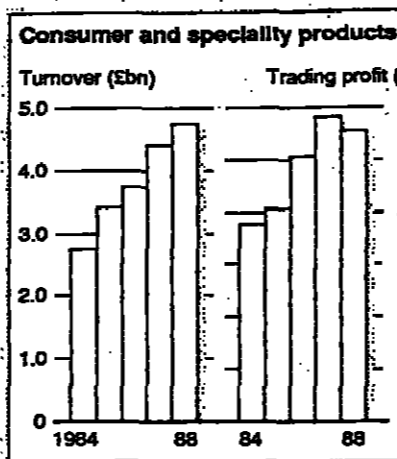
Sir Denys Henderson
Chairman of ICI

Stuart Wamsley, an independent chemicals industry researcher who was formerly an analyst at Morgan Stanley, the US bank, has mixed feelings about ICI's recent history. He says it has made commendable progress in moving away from the commodity side of chemicals, something which should help the company in the widely expected downturn for many kinds of bulk industrial materials over the next year or so.

But he is less than happy about the company's speciality ventures, some of which – in particular paints and advanced materials – he believes are performing less than well. "ICI's speciality operations are a mish-mash," says Wamsley. "It needs to sort out which bits it's going to stick with and which to chuck overboard."

Central to these worries are issues which affect many multinationals. They boil down to creating a flexible management style that will bring about a good balance between the various parts of a company's operations. There has to be some element of control from the centre plus a lot of freedom given to managers with responsibilities for geographical areas and product types.

There also has to be a lot of mixing of people and ideas



between different parts of the company's operations so that managers can learn from each other. That applies especially to research and development (R&D) activities, a field in which the company is spending more than £800m this year. Research is increasingly important for ICI given its big thrust in recent years into many specialist, science-based products.

Many big chemicals companies choose to accentuate one element in the overall management structure: BASF and Hoechst have a high degree of centralised control while Exxon Chemical of the US splits up its international operations firmly along the lines of product groups. ICI, meanwhile, has an extremely fuzzy organisation.

Not only is no single part of its management functions – neither head office nor the regional or product groups – given overall charge, the relations between these three elements in the organisation are left deliberately vague.

Sir Denys Henderson, ICI chairman for the past two-and-a-half years, says the lack of sharpness is necessary and intentional. "The structure lacks clarity," says Sir Denys. "But we're in a complex industry. We hope that most arguments can be sorted out by discussion."

He says the lack of rigidity in the management structure

makes the company quicker to react to new technical and marketing opportunities. "In the 1970s we were good at planning. Now we're better at implementation."

Sir John Harvey-Jones, ICI chairman between 1982 and 1987, puts the issue more bluntly. "The lack of elaborate overlays (in ICI's management structure) gives people the maximum amount of space to achieve things. If there are arguments between managers in different divisions you make it abundantly clear it's up to them to sort it out. If they do you give them a pat on the back; if they don't you shoot them."

An important part of ICI's structure, and one which emphasises its commitment to act as a global company, are its 10 broad business groups. Most of the important manufacturing bases for these divisions are in Britain, which also acts as the headquarters for six of them, including pharmaceuticals, heavy chemicals (which cover most of the commodity products), crop-protection compounds, paints and films.

As a deliberate policy move, in the early 1980s ICI put four of the groups' head offices – covering polyurethanes, explosives, advanced materials and speciality industrial chemicals – away from the UK. These businesses are controlled from Belgium, Canada or the US.

The product groups have to liaise both with head office and also with regional managers. Rather than call the people in charge of these groups chief executives, which would have conveyed too much of an impression of their being solely in charge, ICI came up with the name "principal executive officer". This impressed upon them, says Sir Denys, that they would have to share at least some elements of power with head office and with the company's regional bureaux.

Another important aspect to ICI's policy of instigating management flexibility is linked to its highly comprehensive and detailed career planning policies. These apply not just to the top layers of the company but extend deep down into management grades.

The group's head-office personnel section, in conjunction with top managers from the 10 product groups and the most important regional divisions, holds regular meetings to discuss "succession planning" – who will step into whose shoes in the top 100 or so jobs in the company ranked in terms of factors such as responsibility for sales and supervisory functions.

Other discussions on a similar basis, although not necessarily to the same amount of detail, take place for the next band of managers within the

company – which accounts for a total of 24,000 people.

This exercise of continually running the rule over the top people in the company and those aspiring to these positions from lower down the order has, according to on-lookers, given ICI a series of good managers. These people are in a better position to know continuously what is expected of them as they move through the hierarchy of the company and are flexible enough to adjust to change.

David Zenoff, a freelance US consultant who has made a study of multinational management styles, says ICI has "handled pretty well" the career development aspect of its activity. "Career planning of this kind is an essential part of how a well managed multinational should organise itself," says Zenoff. "It's a way companies can leverage their future by determining in some detail how their good people are going to progress."

Part of ICI's management planning has been the effort to move employees around between countries and product groups and to get more non-UK people into the top positions within the company. Of the top 170 executives 70 are from outside the UK and the plan is for their numbers to increase as ICI's global operations expand. "It is part of the process of opening the company up to dif-

ferent ideas and outside perceptions," says Shamel. "ICI director with a high ability for North and South America."

A firm way of promoting fresh ideas and flexibility in the company has been via the R&D structure, a part of the company which spans all the business groups and accounts for some 11,000 people.

After a flirtation in the 1970s with centralised R&D operations, the company has spun most of these off into business divisions to get a better link between scientific and marketing staff. A key theme, instigated in the early 1980s under Sir Charles Reece, ICI's former research director who retired in February, has been the establishment of an elaborate web of internal scientific committees.

These groups, which meet on a regular, formal basis, but which have a relatively unstructured remit, bring together scientists from all around the group who have a work of internal scientific committees. "It's a way of ensuring that scientific ideas can flow across business boundaries," says Doyle.

What of ICI's future? The company's profits are likely to be hit by the forecast downturn in the commodity-chemicals business worldwide – which many analysts think will hit home towards the end of the year.

ICI may also find it has to do more work than it thought in beefing up even its most prized speciality divisions. The group's big divisions in pharmaceuticals and agrochemicals, for instance, face likely problems as a result of strong worldwide competition in both these areas and a likely slowdown in the rate at which ICI can bring new products onto the market caused by increasing regulatory pressures from government licensing bodies. The company, too, will probably face tougher environmental regulations as the developed world continues to take a harsher line on chemicals pollution.

Zenoff, the management consultant, believes however that ICI has the flexibility and the commitment to pull through. "ICI has done a hell of a job over the past few years. Managers wear the experience of the early 1980s on their foreheads every day and they are determined not to let the company slide back."

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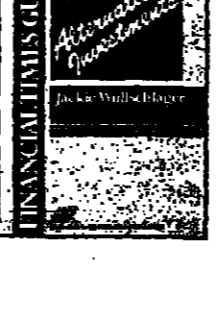
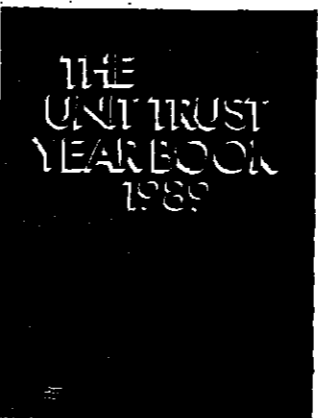
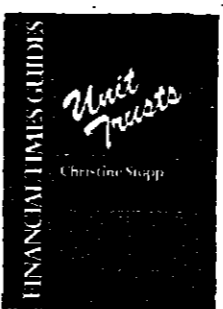
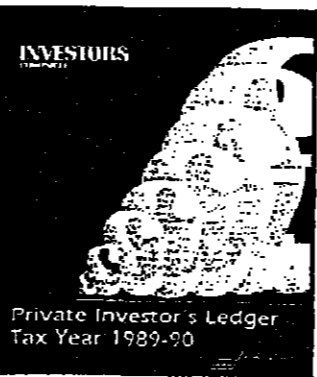
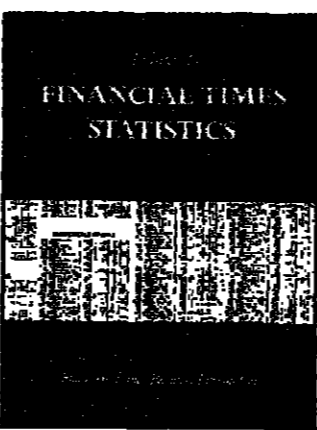
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ARTS

TELEVISION

Hunt for promised summer class

It has long been my feeling that, for a generation of print junkies - raised and educated from *Little Grey Rabbit* to Wittenstein on a diet of books, books and more books - to snipe perpetually at television is counterproductive. British television shows quite enough good material to allow for frequent celebration, and filling a column every week (worse still every day) with clever superciliousness at the expense of *Dallas* and *Wogan* is rather like shooting fish in a barrel, as the Americans say.

FT book critics do not waste space deriding Barbara Cartland, nor do FT music critics bother to scoff at all those concerts with titles such as "An Evening Of Broadway Hits." As with other disciplines it should, surely, be the job of the FT television critic, more often than not, to hunt down the best material and hold it up for admiration rather than select the worst and subject it to oh-so-clever ridicule. True, this column was devoted last week to a somewhat frivolous consideration of the naff and the kitsch, but that was an exception.

The intention this week was to return to normal and celebrate the improvement in programme standards this summer over other recent summers. The broadcasters had said they would be trying harder this year, spending more money, depending less on repeats, and offering, for example, some new drama series of the sort they usually save for the autumn. But, try as I might, I was filled at every turn and ended up deeply suspicious of all those claims.

I began with *Exile*, the latest in BBC1's collection of "authored" documentaries which has already produced several excellent programmes, and which seemed to promise something outstandingly interesting in "The Blasphemers' Banquet," poet Tony Harrison's response to the Russian poet Vladimir Mayakovsky. Apart from Fay Weldon who has had the guts to come out and declare that the whole business has turned her against the left-wing shibboleth of "multiculturalism," there has been frighteningly little said against the demands of some British writers for more money and more time. In 1988 nothing. It seems, in 1989, that being suspected of "racism."

Knowing Harrison's beliefs, we were entitled to expect a vigorous defence of freedom of



Stephen Fry and Robin Bathurst in "Anything More Would Be Greedy"

expression and some tough words on the malignancy of organised religion. Sure enough, from time to time, we got them. We saw the hysterical supporters of Khomeni beating the blood out of their own heads and, wickedly, teaching little children to do the same; and we saw ranting priests from other religions - Protestant, Jewish, Catholic as well as Muslim - spreading the evil old dogmas and spewing out hate.

Yet the programme was ultimately a failure, largely because of its style. The so-called "banquet" never actually materialised; the ideas of Voltaire, Byron, Molière and Omar Khayyam were used only sparingly, to say the least; and Harrison delivered the script, consisting entirely of his own poetry, as though he were Vincent Price descending to the crypt of Castle Dracula. Why must he adopt such a grim and gloomy monotone in everything he does?

Next night brought the first in a series of four programmes called *This Food Business*, a subject on which you would have thought it would be difficult to miss this summer, what with salmonella, listeria and little green worms. But presenter Derek Cooper turned out to be too much of a gentleman. Perhaps a little more rigour will emerge as the series proceeds, but so far, even if everything is not being forced to be understood too readily.

On Wednesday we expected one of the big treats of the week and perhaps the season: the opening episode of *Anything More Would Be Greedy* (AMWG), the first drama series to be written expressly for television by Malcolm Bradbury. Expectations were aroused by Bradbury's adaptation of Tom Sharpe's *Fortress Blue* which was sometimes awful, sometimes mediocre but sometimes hilarious, and most of all by Bradbury's own story *The History Man*, one of the highlights of the 1981 autumn television season and Antony Sher's first major claim to fame.

But perhaps the lesson to be learned from AMWG is that the key participant in the television version of *The History Man* was Christopher Hampton, who wrote the dramatisation. AMWG begins with six Cambridge students in 1973 and follows them through the Thatcher years. The usual trouble has been taken with the trappings: the tank tops are right, and the long hair and granny glasses (though the attempts to make England stand in for Boston, and some English institutions for Harvard, are pretty laughable) but the biggest let-down is the feel of the thing. It is as though it was created by a bright PhD student too young to remember the period for himself and working from cuttings, so that we get a clever pastiche of the 'seventies instead of the real McCoy. Whatever else disappoints,

nature programmes are usually highly satisfying and Thursday brought the first in a new series of *Wildlife Showcase* on BBC2. We were promised that "Return Of The Boulders" was an award winning film showing the reintroduction of the griffon vulture to the Massif Centrale in France. In the event some of the pictures were impressive, though the normal standard of wildlife photography these days is so high that it is difficult to stand out.

However, the programme was ruined by its commentary, whether a translation of the original or a new one written for the BBC it was hard to know. Either way it was a study in cliché. What does the female vulture feel in spring? "Nature's pressing call to reproduce." How long does incubation last? "Two long months." What do mistle thrushes do with flower seeds? "Reap the bounty." What does the valley become in October? "An autumn-tinted gorge" and so on.

A little later the same channel screened *Under The Sun* and this time it was not a bad script but lack of technical expertise which let the programme down. There were hints that, with interference from the RCB, this investigation of Jewishness in Estonia was made in trying circumstances. Nevertheless, *World In Action* and other series have been shooting clandestine film in Warsaw Pact countries for donkey's years, and producing

excellent footage. There is no clear reason why interior hand-held photography should be as bad as it was here, nor any obvious reason why the sound recording, editing and direction should have been equally poor. Interesting material was reduced to mediocrity by amateurish technique; a most unusual failing in a BBC programme.

Then at the weekend Channel 4's *Equinox* brought us an imported documentary which undertook to "get beneath the skin of the Big Apple" and show us how New Yorkers are supplied with power and water and relieved of their sewage and rubbish. It is a fascinating subject, each item could easily have occupied the entire hour, and it was an acceptable programme. Yet its tone and approach were indistinguishable from those *Look At Life* shorts which used to precede the popcorn ads in cinema double-bills during the late 1950s.

By the end of the week I was feeling pretty sure that, whatever good resolutions they may have made, broadcasters are still, consciously or subconsciously, relegating weaker material to the summer months. Perhaps in other Augusts we have not had a home-grown drama series as new and expensive as AMWG, but I suspect that the ITV programmers know instinctively that they need something better to lead their autumn schedule.

Similarly, while there was doubtless no deep-laid plot to run the French wildlife film or the imported documentary about New York's utilities at a time when the A/B audience would be sitting beside the swimming pool of its converted Umbrian farmhouse, the fact remains that it is only when they are back again that BBC will start to screen its new *Attenborough* wildlife series (assuming it has one) or C4 to show its home-produced documentary series (assuming it has one).

The BARB figures say that average summer viewing is down eight hours per capita per week compared with winter, from 26 hours to 20, and top audiences down from 17m to 13m, but broadcasting executives do not live in Gasworks Terrace, they live in Acacia Avenue. So far as they are concerned the schedules are arranged accordingly.

Christopher Dunkley

Marat/Sade

PLAYHOUSE THEATRE

To remind you of the full title: *The persecution and assassination of Marat as performed by the inmates of the asylum of Charenton under the direction of the Marquis de Sade*. Peter Weiss's international avant-garde hit has not been seen in London since the mesmerising, visceral production of Peter Brook for the Royal Shakespeare Company in 1964.

That shindig, with Glenda Jackson whipping De Sade with her hair and plunging the knife in "poor old Marat" was a synthesizing offshoot of Brook's Theatre of Cruelty experiments and immediately extended the possibilities of star performances within creative ensemble limits. It spawned the British fringe.

It now opens the National Youth Theatre's 1989 season, sponsored by Sainsbury's, directed by Michael Croft's successor, Edward Wilson, and attended last night by the NYT Patron, Prince Edward. It gives lots of eager and probably talented young people a bit of an airing on stage. More pertinent-

ly, in the bicentennial year of the French Revolution, it re-animates a very good play.

The NYT is pitching itself against one of my "Desert Island Discs" productions. But they articulate the intellectual rumblings between Marat and De Sade very clearly, even if the hierarchical layers of authority and curious mob-driven osmosis of the Charenton inmates cannot rival (obviously) Brook's obsessive drive. The lyrics of Adrian Mitchell and music of Richard Peaslee, now ardent, now vaudevillian, remain a potent element.

Brook probably masked the prophetic triumphalism of Napoleon, whereas the NYT, ironically hymning 50 glorious years, successfully null the pretensions of the Revolution for the Thatcher era.

The slow progress of Corday to Marat's bath is brilliantly interrupted by the herald (a classically spoken Harlequin by Graham Sullivan) invoking debate. This is ludicrously poised around the bug-eyed, unwavering intervention of Cathryn Owen's Corday, who,

wonderfully combines provincial resentment at the Revolution's failure to deliver the goods with a sense of a melancholic harpy arising from a lunatic hinterland.

The haunted, puritanical bath-bound Marat of Daniel Craig grows in stature through the evening, just to the point where his discreditation by the ghosts of his family and a caricatured Voltaire carry maximum impact. While Marat is debanked, so De Sade (Dickson Tyrrell) is demoralised by an organic response to his sexual revolution premonitions.

Jeffrey Archer has not installed air-conditioning in the Playhouse, so we all nearly joined Marat in what was rapidly becoming a communal steam bath. Everyone flapped programmes and checked scripts, save for Prince Edward, who maintained a stoical dignity, perhaps stunned into indifference by the lunatics rehearsing the uprising on stage.

Michael Coveney

National Youth Orchestra

ALBERT HALL

Sunday night's Promenade concert was given by the National Youth Orchestra, while Sunday afternoon's - for there was one - had been suitably prelude in showing off the National Youth Brass Band in a slight, lively recital, conducted by Sir Charles Groves.

The evening programme - conducted by Mark Elder - was a strange one, though consistent with the adventurous policy of the Proms. The first part comprised three not so often played tone poems by Sibelius; the second was simply the third act of *Die Walküre*. Whether we were being invited to draw parallels between Wagner and the Firm, between a revolutionary concept of opera and a revolutionary concept of orchestral form, between ways of transforming Nordic myth into musical utterance, was not clear, and perhaps not important. It sufficed that we were given the chance to hear studious and loving performances of relatively rare Sibelius - *Polykala's*

Daughter, The Bard and The Oceanides - and a realization - albeit in the concert hall - of this crucial segment of *Der Ring* which was completely satisfying.

The hall was as full as possible - the orchestra space also was full - six harps and eight trumpets, for instance, on the right hand side, a dozen basses on the left, and septuple woodwind in the middle. Audience expectation was certain to be met, if only in sonorous terms. The Wagner excerpt began in excitement and ended with as moving a half-hour of music as I ever expect to hear. Perhaps the violin stabs of *The Ride of the Valkyries* which the act opens might have been more daring and stark, and their visual import more graphically conveyed. But the succeeding clamour of the fine team of eight Valkyries was spine-tingling, and the entry of the ninth, Brunnhilde, sung by Dame Gwyneth Jones, shattering dramatic. Dame Gwyneth went on to give a performance of absolute authority;

her slight slidings of pitch were as nothing beside the ringing eloquence, the brazen fulsomeness of tone, and the sheer soaring virtuosity of her vocal achievement.

Jane Eaglen as Siegfried was her worthy counterpart: she rose to glory on "O heiliges Wunder!" If Simon Estes as Wotan for much of the time sounded shapely rather than incisive of voice, he nevertheless slipped in the decisive intonations, and gained tremendously in power and intensity for his tragic monologue which brings the opera to an overwhelming close.

Yet the orchestra itself must have the last commendation: it was never less than sterling support, and their visual import oblige solo which accompanies Brunnhilde's "O sag, Vater!", or the figure for cellos which makes more heart-breaking Wotan's "Muss ich verlieren," it proved itself as mature and accomplished as any.

Paul Driver

Semenyaka and Fadeychev

COLISEUM

If audiences go to the Bolshoy in order to be intoxicated by the company's huge commitment to dancing - and there is no ensemble better able to communicate joy in movement - they can also find performances noble and pure in style, aristocratically refined in manner. The Bolshoy's repertory often calls for monumental effects, massive energies, but it does not obliterate the niceties of academic distinction: the hordes of Spartacus's followers are the classically distinguished courtiers of *Swan Lake*. And there is surely today no more elegant partnership in *Swan Lake* than Lyudmila Semenyaka and Alexey Fadeychev, who danced on

It was an interpretation marked by extreme clarity of means. Semenyaka is that rarest of beings, a *pur sang* classic ballerina. In harmony of physique, in propriety of temperament and style, she stands alone today. The dance is everywhere truly served, without affectation. A transcendent manner takes

its colour from her exploration of the choreography: the two acts of *Giselle* shown as crescendos of action and feeling; her Raymonda (happily preserved on video) and Aurora are displays of the most felicitous academic authority. As Odette on Monday we saw the role justified because every excess had been pared away. The Swan Queen's mystery was exposed in movement of elegant force; she seemed an unattainable ideal for Siegfried, isolated in her own tragedy, but infinitely compelling. Lovely the way Semenyaka phrased movement in lines of poetry; extraordinary how a single floating ambiguous told of her bird-like nature. It was a reading unique in combining lyricism and gravity.

The Odile who first appears to Siegfried was no less a being of mystery, unreadable, imperious. For the great duet there was all the necessary bravura, coloured with unguessable shifts of emotional and physical emphasis as the enchantress played

with Siegfried's feelings. The Odette whom he seeks at the last, was drained of everything except despair: Semenyaka here seemed entirely isolated until the resolution of the drama which, in this version, is more Siegfried's story than Odette's.

It was, in sum, a beautifully conceived and executed account of the role, matched by Fadeychev's unassuming nobility and technical grace. It is a sight on the mysteries of heredity that he should so resemble his father, Nikolay Fadeychev, that ideal Prince of earlier Bolshoy seasons. The same softness and elasticity mark his movement. I would almost hazard the same proportions and musculature. And if I admire Alexey Fadeychev's commanding and easy technique, I admire no less the fluidity and power of his gesture: a single pose can draw the character for us.

As this Bolshoy season enters its last week, it is time to salute the company for the sustained excellence of its

performances. There have been some parochial meanings about this visit, but dance and repertory have brought glorious things. Accommodating their traditional largeness of scale in production and style has not always been easy, for the company, but the seriousness of interpretations and the value of the stagings has never been in doubt.

Yury Grigorovich's Bolshoy is a tremendous ensemble. Because it is never possible to divorce an understanding of Soviet art from Soviet politics, it is worth noting that during what Russian commentators have called "years of stagnation," as during the present period of perestroika, Grigorovich has, throughout the 25 years of his directorate, given an enormous troupe a new sense of purpose and sustained its undiminished excellence.

Clement Crisp

COMPANY NOTICES

Banco Bilbao Vizcaya
SHARE CAPITAL INCREASE

The Board of Directors of BANCO BILBAO, Vizcaya S.A., meeting on 27 July 1989, has resolved to effect an increase in the Bank's share capital from 91 billion to 121.3 billion pesetas, by means of an increase in the nominal value of the 121,333,334 ordinary shares in issue which accordingly rises from 750 to 1000 pesetas each.

This increase which is charged in its entirety to reserves, takes effect as from 1 August 1989.

Holders of IDR's must lodge them at Hill Samuel Bank Ltd., 45 Beech Street, London EC2P 2LX, or Morgan Bank, 35 Avenue des Arts, B1040, Brussels, for over-stamping.

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ARTS GUIDE

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphoric gesturing alien in Peter Hall's Roman Venetian Renaissance production. Geraldine James a superb Portia (838 2294). London International Festival of Theatre, LIFT, the fifth annual festival (takes place all over London during July). Recommended highlights are the Abbey Theatre of Dublin in Tom Murphy's *A Whistle in the Dark* at the Royal Court (730 1745) all month and the Comédie de Genève in Strindberg's *Miss Julie* at the Lyric Hammersmith (741 3311) in the last week only. More details on 240 9428.

Single Sides (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Frumella Seales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. (Queen's plays Guy Burgess in a reshoot of Bennett's TV film *An Englishman Abroad* (734 1165). Brigadoon (Victoria Palace). 1947 Lerner and Loewe "beastie-scanted" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2232). Henceforward (Vandeville). Martin Jarvis and Joanna van Gysegem in blackly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (835 9567, cc 741 9995).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber opera derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (838 2294).

New York (Reid). *Reid Chronicles* (Plymouth). Wendy Wasserstein's award-winning drama concerns 22 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations in electoral ambitions in the 1960s, accompanied by the musical and emotional flavour of the period (235 6200).

Lead Me a Temor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (238 6200).

Shirley Valentine (Roth). Patricia Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without something any of the Northern English edges that retain an authentic touch.

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (235 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0082).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

The credits is dimmed by the fact that each play has a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical. *Rumours* (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

August 3-10

Phantom of the Opera (Majestic). Stuffed with music, a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical. *Rumours* (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Chicago (Chicago). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (948 4000).

Steel Magnolias (Royal George). Ann Francis and Marsha Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (948 9000).

Les Misérables (Auditorium). The international spectacle has settled in for a long stay by the Great Lakes (232 2110).

Les Misérables (Imperial Theatre). Strongly-cast revival (in Japanese) of the stirring musical of the storming of the Paris barricades. The production is a recreation by Trevor Nunn and John Caird of their London original - complete with John Gutter's superb set and lighting. Noh. National Noh Theatre (Wed at 1pm) (422 1331). *Hanjo* (The Girl whose Lower Lip Went Awry), by the great 15th century nob master Zeami. Plus a Kyogen comic interlude. Japan's most esoteric art form is not to everyone's taste, but everyone should see it at least once, since it is the world's oldest living form of drama of any importance.

Paul Mellon to sell part of his private collection

Mr Paul Mellon announced yesterday his decision to sell 33 Impressionist, Modern and British works of art from his private collection at Christie's in London and New York during November. A further 1,200 works of art donated by Mr Mellon to the Yale Center for British Art, are also to be offered for sale. Christie's anticipate the works to realise over \$100m.

Leading the group of the 15 Impressionist and Modern works to be offered in New York on November 14 are Manet's "Rue Mosnier, Paris, decorated with flags" (estimate \$30-40m); Van Gogh's "The Tree, Arles" (estimate \$25-35m); and a Picasso gouache of the death of Harlequin, which is expected to fetch \$30-30m. Degas is represented by his

portrait of his aunt, the Duchesse de Montpensier-Cicerele, at 1 by three dancers executed in wax, which will bear estimates of \$1.5-2m.

Sporting pictures dominate the group of British paintings to be sold by Mr Mellon in London on November 17, which includes works by Herring, Sir Ben Marshall and Stubbs. London views by Canaletto are offered by both Mr Mellon and Yale.

The Study Center is de-acquisitioning works by artists well represented in the collection in order to establish an acquisitions fund. Turner's "Schloss Rosenau, Coburg" (estimated \$1.5-2m) and canvasses by Gainsborough, Palmer, Stubbs and Zoffany are on offer.

Susan Moore

Piggy Bank moves to Greenwich

The Piggy Bank, adapted from Labiche by C.F. Taylor, opened in time at Derby and has now moved to Greenwich. It is a characteristic French vaudeville, recounting the adventures of a party of simple country people who go to Paris to spend the money from the kitty that stands on their whist

table. Naturally they all blunder into a variety of comic misfortunes and end up broke but penitent - apart from wayward young Félix, who has reaped a small fortune from an amorous lady. Susan Todd is the director.

B.A. Young

FINANCIAL TIMES

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Wednesday August 9 1989

After the
Contras

ONE SMALL Central American state was writ large on the Reagan era's map of the world. Yet imperceptibly over the past seven months Nicaragua and the revolutionary threat it purported to represent to US interests in the region has vanished, and yesterday the Bush Administration was all but welcoming an agreement which sounds the death knell for the organisation, once dubbed by President Reagan "the moral equal of our founding fathers".

By dispensing with his predecessor's ideological mind-set, President George Bush has come to see and treat Nicaragua in a more realistic perspective. Ten years after overthrowing the Somoza dictatorship, Sandinista Nicaragua is an impoverished nation, incompetently run by a group of relatively well-intentioned ex-revolutionaries desperate to obtain the benefits of a capitalist world, a peaceful Central America. Mr Bush, for his part, has seen the damage that was done to the US image in Latin America by brushing aside successive peace initiatives in favour of continued armed confrontation.

The precise objective of Washington's support for the Contras was never fully explicit. Emotionally it was clear that Mr Reagan and his entourage yearned for outright victory and the overthrow of the Sandinista regime. Diplomatically (in dealings with the US Congress as well as with foreign powers) the policy was presented as one of maintaining pressure on the Sandinistas to accept a negotiated settlement allowing the Nicaraguan people a genuinely free choice.

Demobilisation

Mr Bush can plausibly claim that this latter objective has now been achieved, after the signing last Friday of an agreement on the modalities of next February's elections between the Sandinista government and 20 opposition parties.

That agreement includes a call for the Contras' demobilisation - something the US may not have expected but could hardly oppose. Neither President nor Congress would in any case have endorsed a resumption of military aid in

the present international climate. Mr Bush had hoped to keep the Contras afloat until the elections with "humanitarian" aid (sanctioned by Congress with a cut-off date early next year), but even that will not be possible after Monday's Tela agreement: Honduras, host to the Contras' rear camps, has now accepted their compulsory demobilisation by December. Honduras may have benefited in terms of US financial aid from providing a safe base to the Contras, but their presence in the country has been destabilising.

Fresh climate

Washington's change of perception has permitted a radically different climate to permeate Central America, where the long-held view that Nicaragua is the key to a wider peace process can now be pushed along the negotiating process in Nicaragua but also to deal with the conflict in El Salvador.

This latter problem is more intractable and indeed the Nicaraguan agreement was nearly scuppered by the attempt of El Salvador's President Cristiani to link the demobilisation of the Contras to a simultaneous disbanding of the leftwing FMLN guerrillas in his country.

The two countries are different, and their civil wars are not precise mirror images of each other. Opponents of the Sandinistas have had to endure censorship, intimidation, petty restrictions, economic hardship and in some cases detention. Their Salvadoran counterparts have been exposed to a ruthless campaign of political murder. Even so Mr Ruben Zamora and other Salvadoran opposition leaders previously associated with the FMLN have had the courage to return to the country and resume non-violent politics. If Mr Cristiani and the Salvadoran armed forces could get them to call for the disbanding of the FMLN, as part of an agreement comparable to that reached in Nicaragua last Friday, the demand would surely carry weight.

Fair play in
the City

TEN PRINCIPLES have now been drafted by the Securities and Investments Board to be placed at the top of its proposed three-tier regulatory structure for the conduct of investment business in the UK. The next layer of core rules has also been provisionally drafted. Detailed third-tier rules will in due course follow from the SIB and various other supervisory bodies. All this will be subject, as is the SIB's custom, to a lengthy consultative process.

Most of the principles can scarcely be faulted in what they say. Firms should observe high standards of integrity and fair dealing, they must act with due skill, care and diligence, they must observe relevant codes and standards, and so forth. But grey areas remain, as can be found in Principle 7 on conflicts of interest. Where such conflicts cannot be avoided, a firm "should nevertheless take all reasonable steps... to ensure fair treatment to all its customers." Such sentiments inevitably must be looked at afresh in the wake of the Department of Trade Inspectors' report on the County NatWest-Blue Arrow affair. Whatever its flaws, the report provided a remarkable snapshot of the state of business ethics in the City of London. The picture showed a particular institution at a particularly stressful period. It may not have been typical, but it cannot have been unique. And this was not a fringe operation, but one close to the centre of the City mainstream.

Practical relevance

It is not just a matter of cynicism, therefore, to ask whether statements of principle of this kind can have much practical relevance. The SIB claims that there is widespread interest among observers in its new principles-and-rules structure, and indeed it "warmly" invites comments on these proposals from overseas. But the observer from afar is bound to ask whether some more basic disciplines are required. It might look as though the British authorities, confronted with a wave of car thefts, were responding by devising a new edition of the Highway Code.

Remember that executives at County NatWest and Phillips &

Drew repeatedly adopted misleading and deceptive practices, and exposed their investment clients to serious risk of loss. Lawyers were used to give advice on whether schemes were within the letter of the legislation even though the spirit was clearly being broken. All concerned were offered very large financial rewards for expediting a deal in the face of considerable obstacles, which inevitably put pressure on them to cut corners. Can the SIB really expect its general principles to be observed unless at the same time it takes steps greatly to reduce the commercial pressures on individuals in the financial markets?

Proper supervision

But there is another side to this, as is recognised in Principle 10, which provides that firms must ensure that their staff are properly supervised, and that there are well-defined procedures to facilitate compliance with the regulatory system. The trouble is that the motivation of the in-house compliance officers has sometimes been unclear. The temptation is to assist executives to get around the rule-books rather than to protect the ultimate reputation and standards of the firm. This impression certainly came out of the County NatWest report. In dealing with their colleagues, compliance officers should not be complacent.

As for the question of overall supervision, it was to reinforce official views of the importance of this that the Bank of England made it clear that responsibility must be accepted on the National Westminster board. All of the City's regulators will now be taking care to ensure that the people at the top of financial services have adequate expertise as well as integrity. On this principle depends the credibility of all the other nine.

Integrity, fairness, diligence and honour are excellent characteristics upon which to build a sound financial industry, but the question is whether realistically there are enough senior individuals endowed with those virtues, and whether the culture encourages them. If not, then the only alternative is the rule of law.

Japanese politics have not traditionally been a spectator sport. But few Japanese politicians have been accorded such a critical and attentive public welcome as Mr Toshiki Kaifu, chosen yesterday as the third leader of the country's scandal-ridden Liberal Democratic Party this year and certain to be enshrined today as the new Prime Minister.

The LDP has dominated Japanese politics in its present conservative manifestation for 34 years without ever really paying much overt attention to what the average Japanese actually thought. However it has now been struck by a abrupt fall in its public standing and a commensurate, if not necessarily enduring, rise in the public estimation of the long irrelevant opposition parties.

What makes the current political situation unusually piquant are sharp differences of view within the party on the best way forward and the fact that for the first time in its experience the LDP will face strong opposition in the Diet (parliament). Following elections last month, a coalition of opposition forces now has a majority in the upper house and is eager to frustrate any LDP initiatives, especially those aimed at winning votes.

Moreover, time is short. A general election for the infinitely more powerful lower house of the Diet must be held before next July. Unless the LDP can recover its public support, it is conceivable that no party will be able to win a majority, which would really put the cat among the pigeons. It is now legitimate, if sometimes fanciful, to speculate in Tokyo about the possibilities of both the LDP and the Japan Socialist Party (JSP), the largest opposition party, breaking up, leading to a realignment of the country's main political groupings.

Fortunately, all this upheaval is happening at a time when the Japanese economy is growing at a robust five per cent annual rate. There is as yet no sign of anxiety in Japanese business circles that the political turmoil could harm economic growth, although the recent weakening of the yen, which is undoubtedly related to political developments, is already causing some prices to rise. On the other hand, analysts say there is a good chance that the suddenly vote-hungry politicians will promote fiscal policies in the next few months that will promote even higher growth.

If, however, the turmoil persists, the current optimism could fade. "I

Mr Kaifu knows that if the LDP power-brokers tried to jettison him, they would look even more foolish than they do already

think the confusion will last for 10 years and become a heavy burden for the economy," predicts Mr Takayoshi Miyagawa, president of the Centre for Political Public Relations, an LDP related research organisation.

For the moment, the big question is whether Mr Kaifu, a minor figure in a small faction in the LDP, will be able to help the party save itself from the worst of what he has just other stop-gap puppet leader like his unfortunate predecessor, Mr Sosuke Uno, who lasted only two months.

At first glance, his chances of success would seem slim. He came to power as a result of the kind of back-room manoeuvring within the party that has contributed so much to its unpopularity and will, therefore, have difficulty establishing himself as the kind of clean, reformist leader that the LDP knows it needs. He is not aided by the fact that a few of the power-brokers who organised his victory still yearn to become prime min-

Ian Rodger assesses the tasks ahead for Japan's incoming prime minister, expected to take office today

Taking the
wheel of an
undriveable
jalopy

ister themselves, and thus can be expected to try to pull him down when and if the party's fortunes start to improve. Moreover, while the party seems to have reached a consensus on the reasons for the collapse of its popularity this year, wide differences remain on what to do about it, especially when it comes to measures to stamp out corruption.

Many party leaders are hoping that the public's concern about corruption in the LDP will simply go away, as it has following scandals in the past, and that they can get away with a few cosmetic reforms and the presence of the clean Mr Kaifu. Others have proposed a complete agenda of radical reforms, including limiting financial contributions to politicians, obliging politicians to publish details of their income sources and making changes in the electoral system aimed at eliminating the LDP's factional structure. Mr Kaifu was a close aide of former prime minister Takeo Miki who introduced some reforms following the Lockheed scandal in the mid 1970s, and he is believed personally to favour radical changes. However, he will have to step carefully or he could lose the support of the mainstream leaders or, worse, cause the party to break up.

"This prime ministerial election is the first step in the LDP's change," Mr Kaifu said gamely yesterday. "After we have done what we should do, I would like the people to judge the new LDP."

Despite the difficulties, he does have some things going for him. He will have a honeymoon of sorts for the next couple of months, knowing that if the LDP power-brokers tried to jettison him, they would look even more foolish than they do already. "The LDP has become like a second hand car that no one can drive," one commentator in Tokyo said yesterday. Also, in a way, the thin margin of his victory in the leadership vote yesterday helps him, as it indicates the strength of resentment in the party against the traditional flexing of factional muscles behind the scenes.

Mr Kaifu's first task will be to negotiate the conduct of the Diet session, due to start in mid September, with the opposition parties. This promises to be extremely difficult, given the results of the upper house election and the differing priorities of the two sides. The opposition, having campaigned vigorously against the three per cent sales tax introduced in April, will want to introduce legislation immediately to abolish it. The LDP will mostly want to advance its political reform proposals, but just might also be forced into a volte face on indirect taxation. Both sides can be

expected use the Diet debates on these issues to appeal directly to voters.

The key factor in all political minds is the looming lower house election. If it were held today, and the pattern of the upper house election were repeated, the LDP would still be the largest party, with perhaps slightly fewer than 250 seats compared to its current 239. But that would leave it so far below the 267 needed to form an absolute majority that it would have difficulty finding a minor party with enough seats to create a relatively stable coalition.

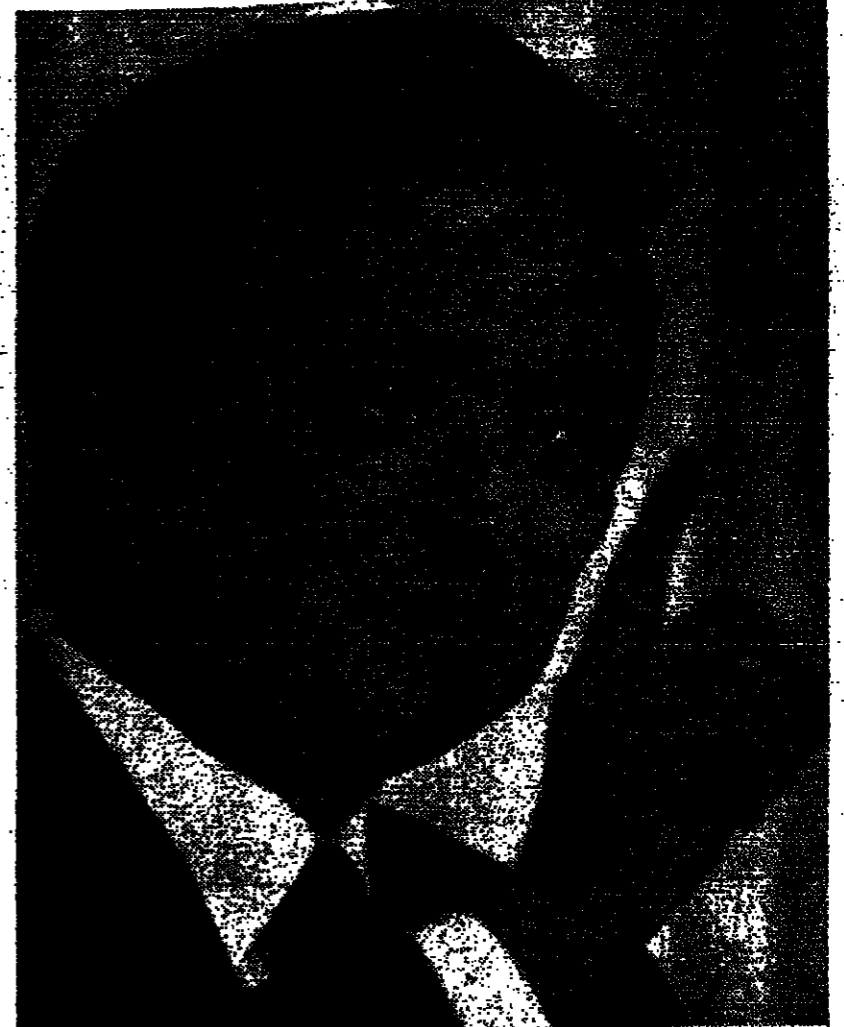
The JSP, which now has 85 seats in the lower house, would make significant progress but it could not realistically aspire to attaining anything remotely close to a majority on its own. Indeed, it would be hard pressed to field any more than 130 candidates for a lower house election today and its near term objective is only to be able to bring forward 200.

The electorate, moreover, is likely to behave differently in a lower house vote, whenever it is held, than in last month's upper house election, which was to a large extent a protest against the LDP's corruption and unpopular policies. But the drift back to what has long been seen as the natural party of government and prosperity may be reduced by other trends in Japanese society - including rising affluence and the growing political consciousness of Japanese citizens, especially women. "Politics here are becoming a matter of the floating voter and the fashionable vote just like everywhere else," one Western diplomat in Tokyo said this week.

Despite its modest prospects, the JSP would probably like to fight a lower house election as soon as possible. Party leaders know that their sudden popularity is based largely on aversion to the LDP rather than on support for socialist values and virtues. They also dread having the public spotlight on their annual conference in November when their left wing ideologues will be displaying their stuff, and they know that their quickly cobbled together coalition of minority parties may not remain unified for long.

Most LDP members would probably prefer delaying going to the country for as long as possible, if for no other reason than that time will give the public greater opportunity to dwell on the consequences of electing an opposition that has never seriously been considered electable before.

However, there is a chance that the party leaders, unaccustomed to the out and thrust of real parliamentary debates, will soon get frustrated this autumn and press for an early dis-



Toshiki Kaifu: believed to favour radical political reforms

tion. Some LDP Dietmen, including Mr Seiroku Kaiyama, the former minister of international trade and industry, even argue that the best thing for the LDP would be to lose the election and let the public see what a mess the Socialists make of running the country. Then, they argue, the LDP would be back in power for another 30 years.

"This 'laboratory theory' approach generally gets short shrift. 'We should be careful with such a simple idea as to pass power to the Socialists,'" Mr Tetsuhisa Matsuzaki, a for-

One expert believes that Japan's political confusion will last for a decade and become a heavy burden on the economy

mer LDP central office official, warned in a weekend magazine article. Those sharing this concern believe the LDP should hang on at least until late December when it can introduce a vote-winning annual budget.

They would, however, be less keen about going ahead with the Diet debate on the budget, which normally starts in late January. The budget debate provides an occasion when any subject can be raised, and the opposition, with its new power, would undoubtedly seize on it to discuss defence, farm protection, the role of the imperial family and other sensitive issues that would make the LDP uncomfortable. Also, the LDP would, in the end, have to resort to its constitutional right as the majority group in the lower house to force the budget through the Diet, a move which would make it look arrogant.

In the end, even if the LDP does manage to retain its majority in the lower house, it will still have to face

an unstable upper house for at least six years. Elections for half the seats in the upper house are held every three years and the LDP won an extraordinarily large number of seats in the 1986 election.

It all points to an unprecedentedly fluid situation in the next few months, if not years. It is difficult to predict when or if it will have an effect on Japan's domestic policies and its increasingly important role in the world.

On most questions, the country's highly professional bureaucracy will continue to set and implement policies. However, there is no doubt that there are an increasing number of issues, such as the progress of the US-Japan security relationship or the delicate upcoming trade negotiations between the US and Japan on structural barriers to trade, that cannot advance without political approval. And, in the current climate, no politician is going to be willing to approve concessions that risk offending voters.

That may be inconvenient for Japan's partners in the world, but it would be churlish not to point out that the new circumstances have a remarkably healthy democratic look about them. The Diet, which has served a ritualistic function and has often been a superfluous institution in Japan's murky political processes up to now, seems about to become the lively centre of political activity. Japanese politicians, who have in the past bought votes rather than appeal for public support for their policies, are suddenly becoming acutely sensitive to public opinion.

And if Mr Kaifu has his way, these trends, which are almost revolutionary for Japan, will be encouraged. "I want to make the Diet a place where members can make their arguments and then the people will understand," he said in a statement following his victory yesterday. It is hard to think of a post-war Japanese Prime Minister who would have said this, and meant it.

Hope's rise
to the top

Less than two months ago David Hope held a press conference at which he politely savaged some of the Government's proposals for the reform of the legal profession in Scotland. Yet this week it was announced from No 10 Downing Street that he is to become Scotland's equivalent of England's Lord Chief Justice.

Also remarkable about Hope's elevation to the posts of Lord Justice General and Lord President of the Court of Session is that he leaps at one bound from being a QC to becoming Scotland's most senior judge - over the heads of a number of other judges who might have hoped for preferment. This has never happened before.

Hope, now 51, is currently Dean of the Faculty of Advocates, a post for which there is no equivalent in England. It entails both speaking for the 240-strong Scottish bar, and disciplining its members.

He is a small, owlish-looking man with large spectacles and something of the clinical manner of a Harley Street consultant. But he is widely regarded as the most brilliant advocate of his generation.

In recent months, his energy has been devoted largely to fighting the Government's proposals. Because solicitors in Scotland already have far wider rights of audience than their English equivalents, the Government's ideas for Scotland are less sweeping than those for England, but still radical.

The Scottish advocates' opposition has been skilful and measured, unlike that of their colleagues in London - a fact that Hope himself has publicly pointed out. Though Hope once used the word "odium" - when talking of the idea of partnerships of barristers - he has always remained lefty calm, and relied on argument rather than emotion, much of it deployed in discreet lobby-

ing. The Government will not reply for another few weeks. Lord Mackay, the Lord Chancellor, who incidentally has no formal power over the Scottish legal system, is no doubt proud of him. Hope was once his pupil.

Strange birth

There must be something behind this announcement in the births column of yesterday's Times: "Deekay - Mr and Mrs T Deekay are pleased to announce the arrival of their new babies: Henrietta Sophia (HS), Edward Harry Graham (EHG), Hildegard Fifi (HF) and Harvey Daniel Xerxes Proctor (HDX-Pro)." Cassettes perhaps?

Poor German

The dominance of English in world commerce is having a strange effect on the German language. This week Carl Volkswagen, the chief executive of Volkswagen, used the word "Paketierung" to refer to the extras now being supplied in VW cars at no additional cost. He also spoke of "Allokierung" for allocation.

Hahn may have some excuse. He has worked in the US and has an American wife. Less so, Helmut Maucher, the German-born head of Nestlé. When Maucher spoke to journalists in Frankfurt recently about the company's prospects, he came out with "die Essentials", "das Backbone", "die Financial Gains" and "Das Management by Opportunistic". He excelled himself with "Das Free Flow of Capital, People, and Everything" to describe the current business scene.



"Not many people would guess I'm wearing Batman sock suspenders"

Tory tricks

Norway's unemployment is described as "soaring" even in our own pages - at all of four per cent. The opposition Conservative Party is trying to take advantage of it by playing on the theme of "Labour isn't working", much as the British Tories did in 1979.

The trouble is that the unemployed are hard to find, even unemployed Norwegian actors. Thus the advertising agencies are falling back on the Swedes (unemployment 1.6 per cent). A visitor to Stockholm's Bromma airport found people being offered SKr200 (£19) to act as extras.

Pride of place in several shots went to a £50,000 a year British computer consultant, who came upon the photographers while inspecting the private planes for sale at the airport. His Swedish friend was also put into the dole queue, with an old coat to cover her miniskirt.

Some party

Peter Linacre, the former Merrill Lynch stockbroker who was cleared by DTI inspectors in June after a 19-month inquiry into possible insider dealing, celebrated the event by going to a dinner in the City.

Linacre has never denied dealing in shares of Grand Central Investment Holdings on his own account and making a profit. At the dinner, he was toasted for having escaped after being caught "going 31 mph in a 30 mph zone".

His guests included loyal fund managers who followed him into the Caird Group, the former property investment company which he has transformed into one of Britain's leading waste disposal operators, as well as the cream of building and waste disposal analysts.

Egg throwing

Grateful to those readers who have telephoned to say that you do not have to be an Australian test bowler, let alone an F R Spofforth, to throw a newly-laid egg 50 yards without it breaking, it is a favourite sport of air forces around the world, as well as the aerospace industry.

It has to do with the aerodynamics of an egg - perfectly shaped like a missile - and also the engineering structure. The egg will nearly always land on its pointed end, which is where it can take most stress. Sometimes after aerospace dinner parties people go out and throw eggs over the top of the house. Provided they land on a lawn, the breakage rate is no more than one in six. Or so we're told. Observer has yet to try it.

Right man

The export manager of the Cotswold Pig Development Company is called Tony Suckling.

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Robin Pauley on the first anniversary of the pro-democracy movement in Burma

A bloody year of repression

One year ago today Burmese soldiers opened fire in Rangoon and killed hundreds of people demonstrating in favour of democracy. In the six weeks that followed, the Burmese people staged a mass and largely spontaneous revolt which was brutally crushed. At least 3,000 people were killed.

In the year that has elapsed, momentous change has started in Indo-China with Vietnam, Kampuchea and Laos all looking for ways to live more peacefully and to gain financial and economic support from more developed countries. Not Burma. The land where time stood still for a quarter of a century after a military coup in 1962 has spent the past year marching resolutely backwards. What was once Asia's rice bowl is now so destitute it is importing food.

Today a group of 72 young members of the National League for Democracy, the leading opposition party, is on hunger strike in the capital in remembrance of demonstrators killed by the army a year ago in the aftermath of a general strike which started on August 8.

Their leader, Mr Aung San Suu Kyi, is also on hunger strike in protest at being held under house arrest rather than in prison with her colleagues. They are charged with unspecified political offences. But in reality they were getting too vocal, too organised and too popular again. Her British husband, Mr Michael Aris, an Oxford don, visited her and was immediately put under the same restrictions. He was denied any contact with any foreign diplomats, about which the British Foreign Office has protested, but to no avail. His visa expired on Sunday and it is not yet clear whether it has been extended or whether the Burmese have decided to prevent him leaving.

In short, the authorities are back to their old ways of personal and political repression. Indeed, it seems likely that they never left them behind. There have been odd moments during the past year when the faint possibility of real change appeared only to vanish again like a mirage.

On August 8 last year, tens of thousands of people massed in Rangoon in what was then the largest protest against the 26 years of authoritarian rule

under U Ne Win. The following day hundreds were shot dead in indiscriminate firing by the army. The protests continued but were finally crushed when General Saw Maung took over power on September 18 with hundreds more dying as martial law was imposed.

What has happened during the past year has been a charade by U Ne Win to reassert his grip on the country while trying to fool potential aid donors in the west that political and economic reform is under way. The main donors, the US, West Germany, Japan and Britain have not been fooled and aid remains largely suspended.

The entire country is still under martial law. Military tribunals have been set up in Rangoon to try offenders who break the martial law rules like failing to observe the curfew or being in a street gathering of more than four people. The minimum sentence is three years hard labour. The only alternative sentences are life imprisonment or death. There is no defence procedure and no witnesses need be called. There is no appeal against the death sentence which is carried out when the local military commander signs the writ.

Nevertheless, people are angry and are out on the streets again although not in big groups and not yet in demonstrations. The political temperature is rising as the string of anniversaries of last August's events approaches and an increasing number of troops is on the capital's streets.

The upheavals began in March last year, continuing in June and July. Burma's educated classes, led by students, rioted and demonstrated in Rangoon and provincial towns about the economic ruin wreaked on their resource-rich and fertile country in 26 years of isolationist mismanagement by the Burma Socialist Programme party.

Rampant corruption, one of the world's nastiest secret police and informer networks and black marketing combined to bring the country to its knees. By 1986 per capita GNP was \$200 a year. In 1987 Burma, once the largest rice exporter in Asia, suffered the ignominy of being classified a least developed nation by the United Nations putting it in the company of Ethiopia and



Aung San Suu Kyi: biggest opposition threat to the military

Bangladesh. On July 25 1988 Ne Win pretended to buckle to popular pressure and resigned only to be replaced by retired army general Sein Lwin, one of the country's most unpopular men and the man who had led the brutal suppression of the student demonstrations. He was replaced by Maung Maung after 19 days of terror in which more than 3,000 people died. Maung Maung was himself quickly supplanted by General Saw Maung at the head of an entirely military regime after a bloodbath in Rangoon during which unarmed students were mown down by gunfire in the streets.

The names of these successive leaders are irrelevant. All are acolytes of Ne Win who continues to rule from behind the throne and who has issued a barrage of directives during the past year about elections and democracy which have thus far proved worthless.

For example, in March this year the government announced a draft election law theoretically barring military officers currently running the country from elections prom-

fighting for autonomy and it is not clear how it will be decided which non-Burman groups will be "insurgent". Probably, they all will.

More than 200 parties have formed to contest the elections but it is Ms Sun Kyi's NLD which is the largest, most organised and the most likely to give Ne Win's men a scare in any half-straight contest. It is the NLD which the Government is therefore currently trying to discredit and silence.

Ms Sun Kyi and her chairman, Tin Oo have been under house arrest since July 20 and of the hundreds of their supporters arrested at least 40 are estimated by Amnesty International to be still locked up.

At the weekend the campaign to discredit Ms Sun Kyi was stepped up when Brigadier General Khin Nyunt, head of military intelligence, said - in a six hour, stage-managed presentation - she had been used by the outlawed Communist Party of Burma and that her party had been infiltrated by its agents.

"The timely arrests of over 100 underground elements have foiled the Communist grand strategy and saved the country from a bloodbath. The revelations today are not complete yet. It is only to prove the Communist involvement to the sceptics. Investigations will continue," he said.

Diplomats in Rangoon have long said privately that they expect a Communist smear against the NLD but they are sure that last year's demonstrations reflected genuine public anger against the government and were not prompted by Communist agents.

The pressure is on. It is still not certain whether any elections, real or pretend, will be held. But the government is moving to neutralise signs of an effective opposition. The population is cowed, the army having sweeping powers of control under martial law and the secret police being well organised again. But there is clearly widespread loathing of the regime, which has to become ever more repressive to keep control.

Last August was a bloody and tumultuous month; the government's recent actions suggest that it is far from confident that the anniversary will not stir up a more violent response than the hunger strikes already under way.

Disposing of wastes

Time to exploit economies of scale

By Anthony Bradshaw and Helen Finch

The continuing row about waste disposal in Britain is conducted as if wastes were something that, if we shouted loud enough, would go away. Unfortunately they will not. Every person in the United Kingdom is responsible each year for the generation of 350kg of domestic refuse. (Hazardous chemicals and similar wastes are a separate rather restricted problem.) Because of these vast amounts, the options for the disposal of domestic waste are limited. Incineration and recycling are difficult and surprisingly expensive: incineration costs £11.62 a tonne; recycling costs £8.78 a tonne. Sanitary landfill, the controlled disposal of waste to land, is much cheaper - £2.05 a tonne in the public sector and £3.99 a tonne in the private sector. Unless we are prepared to pay more, it is therefore unavoidable.

But it does have its problems. Sir Hugh Rossi, Chairman of the House of Commons standing committee on the environment, is certainly correct when he states that waste disposal must be carried out by operations that are safe and acceptable to the local community. However, this is not enough. There is no reason why wastes should not be managed in a way so as to provide positive, rather than negative, economic and social benefits.

The dangers and problems of these sites cannot be dismissed. In the last three decades the organic fraction of domestic refuse has more than doubled. It is now about 60 per cent. Decomposition of this fraction leads to instability of the waste and the generation of by-products, methane and leachate, which were uncommon previously. These prevent much subsequent development of the land. In addition, the operations, when badly run, are extremely unsightly. All this leads the public to think, perhaps rightly, that waste disposal is a ghastly business.

Real benefits can, however, be accrued from waste disposal. The term landfill derives from the practice of merely filling unwanted holes in the ground. Yet in properly planned, large sites it is possible to create whole new landscapes, which can provide real benefits to their surroundings, for example the "rubbish mountains" of West Germany.

At such sites the methane can most readily be collected and exploited as a source of energy. Leachate will drain and can be collected above ground, thus reducing the risk of ground and surface water pollution. To a lesser extent, carbon dioxide can be used for enrichment of the atmosphere in glasshouse crop production. More importantly, using modern land reclamation techniques, appropriate landscape design and management can quickly create attractive and productive landscapes. Agriculture, forestry and leisure amenities are all possible; there are exciting examples of all three.

More important, using modern land reclamation techniques, appropriate landscape design and management can quickly create attractive and productive landscapes. Agriculture, forestry and leisure amenities are all possible; there are exciting examples of all three.

All this requires, however, imaginative forethought and a willingness by planners and the public to understand, accept and encourage such development. The time has come to raise the overall standards of disposal so we can live with waste. Our studies at the University of Liverpool on the design and operation of waste disposal sites in the UK, suggest that better environmental performance at lower costs can be achieved through making use of economies of scale, in two ways.

First, by concentrating waste management operations in fewer but larger sites, with a longer period of use. Second, by taking the greatest possible advantage of the capacity of these areas by building them up as much as possible.

Achieving these economies of scale could be achieved if planning authorities give permission for waste disposal to be carried out only in sites with considerable long-term

potential; and if they require the construction of rubbish mountains, creatively and promptly landscaped. In many areas there would be no immediate need to find new disposal sites, nor to create the artificial "top-hat" landscapes particularly noticeable alongside the M25 motorway around London.

If these steps are taken others can follow to create an environmentally benign operation:

- Spending more on providing better barriers at site boundaries
- Establishing better planned waste transportation and site access for these less transient operations
- Constructing better landforms to allow for settlement as the waste decomposes
- Planting of vegetation to soften and hide operations
- Installing full facilities to control and collect methane
- Setting up appropriate treatment plants for dealing with any leachates
- Restoring areas of the site as soon as they are completed.

Britain should learn from the inadequacies of the past, when waste disposal took place indiscriminately on a large number of small sites. That left the UK with a legacy of scattered environmental problems. Instead, by developing a number of highly organised sites, the best technology and most effective management can be concentrated to provide not only a more economic solution to waste disposal, but also better environmental protection and final landscapes of lasting value.

Such an approach is being advocated by the best waste managers, but their innovation is hampered by "not in my backyard" opposition from local residents, stimulated quite understandably by past bad practice. The new approach can happen if planners and the public are shown, and understand, what can be done, as well as what should never have been allowed to occur.

Anthony Bradshaw is Professor of Botany at the University of Liverpool. Helen Finch is a post-graduate student there.

LETTERS

Return on UK arts investment

From Mr Graham Hitchen.
Sir, It was reassuring to read in your editorial, "An arts policy in disarray" (August 4), concern about the future of the arts, and a call on the UK Government to "announce a realistic arts budget this autumn". But to suggest that the arts are a "drain on the Treasury", even if a negligible one, is misleading. For a measly one quarter of 1 per cent of public spending (a tenth of the return to the Government from privatisation proceeds) the arts bring enormous wealth - financial and cultural - to the UK. It is estimated that the arts have an annual turnover of £1.5bn, employing 400,000 people and attracting audiences in the region of 250m. Four out of every 10 overseas visitors cite the arts and museums as their main reason for coming to Britain.

Most important, however, is the cultural well-being inspired by the arts in this country. The arts have as great a contribution to make towards the quality of life as the environmental issues which have moved firmly onto the political agenda. But the quality seen and heard in theatres, concert halls, arts centres and galleries around Britain can only survive if proper levels of public funding are provided. Graham Hitchen, National Campaign for the Arts, Francis House, Francis Street, SW1

Jungle heat

From Mr S.E. Scammell.
Sir, Those who condemn the commercial use in Downing Street of tropical hardwoods as contributing to "the greenhouse effect" have (no disrespect to Mrs Thatcher is intended) the wrong sow by the lug.
How long it will be before seedlings and saplings permit another crop to be taken depends on the species and conditions. The factor relevant to the greenhouse effect is loss of leaf-surface per acre. When mature hardwoods are felled in tropical or sub-tropical forest this loss is negligible - and in any case is made up in two to three years. S.E. Scammell, Clouds Estate, East Knoyle, Salisbury, Wiltshire

'Able and willing talent'

From Sir John Harvey-Jones.
Sir, Thank you for continuing to highlight the growing shortage of young people wishing to study engineering. The problem is exacerbated by the tendency of trained engineers to follow careers which do not utilise the skills they have so painfully acquired.

Moreover, once they are away from the engineering stream they find it difficult to re-enter, or to obtain relevant updating from centres of higher education.

The demographic problems facing industry, at a time of increased competition from abroad, are widely recognised by business leaders. The only solutions lie in better and more relevant use of those who have received their basic qualifications.

It is all the more surprising, therefore, that when imaginative schemes are introduced, enabling qualified engineers to return to their calling, such difficulty is experienced in

obtaining positions for them. Bradford University is currently running a one year master's degree course for women wishing to return to industrial careers, which received backing from the Training Agency. We find no difficulty in attracting able and enthusiastic women science and engineering graduates. Why is it, therefore, that we have such difficulty in finding employers with the enlightened self-interest to take these women, who have already shown their abilities in industrial jobs?

There is a pretty dull outlook for the desperately important revival of our industrial base if we can afford to disregard able and willing talent. It becomes a vicious circle: if, at heart, frightened of competition from the opposite sex? Or because - in true British fashion - they believe "something will turn up"? John Harvey-Jones, Chancellor, University of Bradford

Evidence to disgust and disgrace

From Mr Adam Davies.
Sir, Living and working in Stockholm, I visit the UK two or three times a year. Each time I am struck by the state of Britain's environment. Everywhere one sees signs of mismanagement and irresponsibility: waste, neglect and low standards.

Illegal tips; overflowing landfill sites where toxins (for example, mercury from batteries) are buried - but not laid to rest - in shallow graves; a litter-strewn countryside; millions of newspapers, millions of bottles, millions of cans; toilet paper; rivers of powerful bleach which we merely pour down our drains to join the half-treated and raw sewage dumped in the sea; traffic jams, foul air, more motorways and still more traffic; dirty trains; decaying buildings and filthy streets where no growing child can believe that the authorities really care about the environment.

One of the many humbling experiences of living in Sweden was overhearing a (drunk) Swedish lorry driver on a North Sea ferry say: "Britain? Huh, what a country! They can't even organise litter bins at lay-bys!"

As our bright new Secretary of State for the Environment

sets to work, I wonder if he feels proud of his Government's record - or whether he senses the enormity of its guilt.

I wonder: will future generations be so forgiving when they try to clean up after us? Adam Davies, Laringsbacken 6, 126 57 Hagersten, Sweden

From Mr David Ross.
Sir, I sympathise with Martin Wolf's account of his problems with litter and transport ("Disgusted of Dulwich", August 5). However, it is possible that he may be among those of us who are largely insulated from the problems caused by the national effort to resist inflation.

We are not damaged by reductions in local authority expenditure on housing, meals on wheels and other social services and economies in state expenditure on the National Health Service and education. It is primarily in litter and on the railways that financial orthodoxy is to be encountered. Should not such people welcome the opportunity of contributing to the strength of sterling?

David Ross, 55 Rushin Park House, Champion Hill, SE5

Commissions disclosure

From Miss Helena Wiesner.
Sir, Mr Brendan Glennon's letter on commissions disclosure (July 28) illustrates all too well the hit-and-miss nature of a commission-based system.

He says that many intermediaries will not know, at the point of sale, how much commission they will receive. If so, the sooner a clearer commissions structure emerges, with companies publishing their rates (and perhaps logging them with Lantoro, the life assurance and unit trust regulatory organisation), the better for all concerned.

Such a central register would also meet Mr Glennon's concern about lack of a yardstick. Comparisons would not be simple - but the fact that not all consumers will want the information is no reason for denying it to those who do. Again, it may be true that information on charges and expenses will only be available after the sale. But that is no reason to delay passing on information on what the advice element costs. Mr Glennon says that consumers have a chance to cancel when the "cooling-off" notice is issued, but does he really think that backing out of a contract is an efficient way of doing business?

Independent advice does not come without cost. Helena Wiesner, Consumers' Association, 2 Marylebone Road, NW1

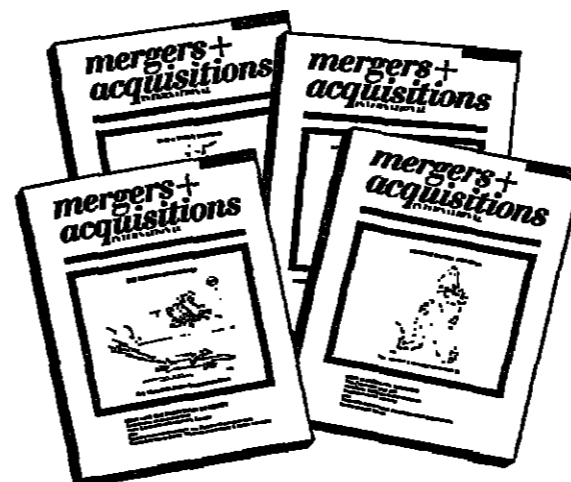
Costs of the MFA

From Mrs Eileen Polgreen.
Sir, Mr Allan Nightingale's protest at removing protectionist policies before others remove theirs (July 28) is just the same old chestnut brought out every time a relaxation of the Multi-Fibre Arrangement (MFA) is mentioned.

This 15-year-old "temporary" breathing space for the textile industry to adjust to overseas competition costs each UK family £240 (1985 prices). Of course Mr Nightingale is for it; it increases textile industry income and profits at consumer expense - most especially at the expense of lower income families. Eileen Polgreen, 2a Northmoor Road, Oxford

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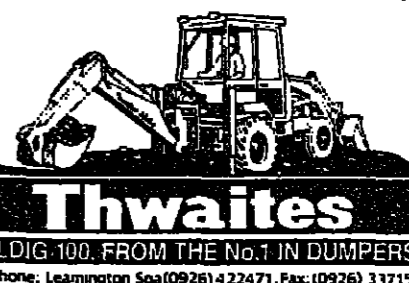
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INSIDE

Goldsmith poses
'simple questions'

"The case for this bid must rest on the answer to simple questions. Has the existing management placed BAT in a position to compete successfully? Or has it been managed in a way which could lead to progressive senescence and decay?" In such scathing terms Sir James Goldsmith yesterday presented the Hoylake offer document yesterday for BAT. Page 22

Brisk gain in Singapore

On the eve of today's National Day celebrations in Singapore, the local stock market closed with a brisk gain that left it 31 per cent higher on the year. In each of the past two years, upward momentum in shares has been broken after National Day, so trading was cautious last week. But strong corporate results, an upwardly revised forecast for economic growth and a buoyant Wall Street have revived confidence. Page 38

Small wheels keep on turning

Bajaj Auto may enjoy 48 per cent of the \$1bn-plus Indian two-wheeled vehicle market. But it is leaving no avenue unexplored in its drive for increased sales, even as Japanese players like Honda, Suzuki and Yamaha and their Indian partners vie for their own market. Page 19

Cordiality in Algiers

The visit last week by French Finance Minister Pierre Bérégovoy (left) to his counterpart in Algeria, Mr Sid Ahmed Ghazal, set the seal on much improved financial relations between the two countries. In recent months Algeria's leading creditors - France, Italy, Japan, and Spain - have extended large new lines of credit, effectively refinancing older debt. Meanwhile, Algeria is making a big effort to reduce the arrears which have built up with foreign companies, notably those from France. Page 20

Deaf ear to populist pleas

When the 1985 farm programme drove down prices the US Government's grand design was to "recapture" its export markets. Although the policy has benefited exporters and agribusiness, the low prices have tightened the noose around farms unable to achieve economies of scale. However, critics by populist farm groups that Congress drastically reduce production and raise price supports have fallen on deaf ears, writes Nancy Dume in the last part of her series on US farm policy. Page 28

Foreigners loiter in Portugal

The Portuguese Government's commitment to sweeping privatisation has put the country's balance back on the international books, after 18 months out of favour. Foreign investors have battled with Portuguese groups for stock in recent issues. But also giving impetus to the bourse is the fact that, once outbid by home contenders, foreigners have not withdrawn their money. They have instead sought other investment opportunities in Lisbon or Oporto. Page 18

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Chief price changes yesterday

FRANKFURT (DM)	PARIS (FF)
Alcatel	335 + 25
Bois de France	335 + 25
Bois de France	335 + 25
Bois de France	335 + 25
Bois de France	335 + 25
Bois de France	335 + 25
Bois de France	335 + 25
Bois de France	335 + 25
Bois de France	335 + 25
Bois de France	335 + 25

New York prices at 12.30

LONDON (Pence)	PARIS (FF)
Alcatel	408 + 10
Bois de France	408 + 10
Bois de France	408 + 10
Bois de France	408 + 10
Bois de France	408 + 10
Bois de France	408 + 10
Bois de France	408 + 10
Bois de France	408 + 10
Bois de France	408 + 10
Bois de France	408 + 10

Suez in war with
Victoire partners
over takeover bid

By George Graham in Paris

SUEZ, the French banking and investment group, yesterday declared war on its partners in the Victoire insurance group by launching a FF19.5bn (\$3.1bn) takeover bid for Compagnie Industrielle, Victoire's key shareholder.

The bid, if successful, would be followed by a bid for Victoire itself, which would value the company at nearly FF29bn. However, last night French brokers predicted a lengthy bidding battle.

Victoire's complicated shareholding structure was designed to ensure a fine balance between Suez, after its nationalisation in 1981, and private sector interests led by Mr Jack Francis. However, Mr Francis retired this year as chairman of Compagnie Industrielle, and relations have deteriorated since then between his successor, the banker Mr Jean-Marc Vernes, and Suez, now privatised again.

The ceasefire has now turned into open warfare in the wake of Victoire's deal, concluded 10 days ago, to buy control of Columbia, the West German insurance company, from the Sal. Oppenheim private bank. Suez agrees wholeheartedly with the Columbia purchase, but claims that Mr Vernes has sought to push Suez to one side in the financial arrangements for the deal.

Suez is already a major shareholder in its own right in Compagnie Industrielle, with a stake

of 18 per cent compared with 25 per cent held by Mr Vernes' holding company, Société Centrale d'Investissement. It also holds an indirect stake in Blancy, another holding company.

Compagnie Industrielle, in turn, is the main shareholder in Victoire, with 40 per cent of the capital and 48 per cent of the voting rights. Suez is the next largest direct shareholder in Victoire with 30 per cent of the company's capital and 34 per cent of its voting rights.

Suez is bidding FF13,000 a share for Compagnie Industrielle, whose shares were suspended last week at FF9,750.

If successful, Suez would then bid FF1,800 a share for Victoire, including non-voting certificates of investment. Victoire's shares have also been suspended, at FF1,035.

Talks between the hostile partners continued over the weekend in a search for agreement, but Suez officials said yesterday that they had reached the point where the argument had to be settled by the market.

They have been worried by the steady buying of Compagnie Industrielle shares, and say that Mr Vernes appears determined to increase the stake held in Compagnie Industrielle by Société Centrale d'Investissement. His partners in this venture are the Dassault aerospace family and Air Liquide, the industrial gases company.

WPP profits jump
61% in first half

By Philip Rawstone in London

WPP, the UK-based international advertising and marketing group headed by Mr Martin Sorrell, increased pre-tax profits by 61 per cent to £28m (\$42m) in the six months to June 30.

WPP's performance, including only a negligible contribution from the recently acquired Ogilvy & Mather, contrasted sharply with the dismal half-year report from Saatchi & Saatchi, the rival which it is now challenging for worldwide leadership.

The results, which included a 53 per cent rise in earnings per share to 33.5p and a more than doubling in the interim dividend to 11.5p, surprised City forecasters. WPP shares closed 6p higher at 74p.

With net revenues up 29 per cent to £331m, WPP's figures reflect organic growth rates of 10

to 20 per cent in advertising and marketing services worldwide.

During the first six months of 1989, WPP added net new business revenues of £45m, equivalent to new billings of £300m. New business assignments for J. Walter Thompson alone totalled more than £125m. WPP bought JWT in 1987.

Ogilvy, in the same period before its takeover, secured another £150m of new billings.

The pace of cross-referrals from one part of the group to another again increased, and accounted for 15 per cent of new assignments.

The group now works with more than 350 major clients in two or more of its divisions, and with 70 clients in five or more countries.

Lex, Page 16

President quits troubled Wang

By James Buchan in New York

MR. FREDERICK Wang, the son of the founder of Wang Laboratories, yesterday resigned as its president under pressure from executives of the sorely troubled computer company.

Mr Wang's sudden resignation, which was offered at a board meeting late on Monday night, opens the way for the company to seek rescue by recruiting a new leader from outside the founding Wang family. It also comes as Wang, based in the old textile town of Lowell, Massachusetts, struggles to renegotiate crucial short-term credit lines in time for a deadline set by bankers for tomorrow.

Wang stock rose a sharp \$1 to 94 1/2 in response to Mr Wang's resignation.

Mr Wang, 58, who took over as president and chief operating officer three years ago, has been under intermittent fire from Wall Street and even his father, Dr An

Wang, the 69-year-old company chairman.

Dr Wang returned to part-time work on Monday after cancer surgery and is said to be desperately worried about the future of the company he founded as a Chinese immigrant in 1951. The family shareholding has plummeted in value from \$1.5m in 1983 to just \$200m yesterday.

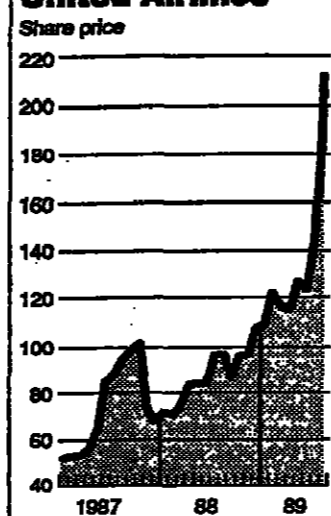
But some analysts believe that Wang, who has long been widely displaced the typewriter with the word processor in the 1970s, may have lost his chance of survival.

The company lost a record \$424.3m last year and its important minicomputer market is in retreat.

"The debt is frightening and the cash flow isn't good," said Mr Wang, an analyst with Smith Barney in New York.

Wang said yesterday that financial advisers are looking at

United Airlines



Chicago airport, the hub of UAL, the airline which has received a hostile bid from Marvin Davis



Wall Street reaches for the sky

Anatole Kaletsky looks at Marvin Davis's \$5bn bid for United Airlines

If any one policy sold the American public on the benefits of the free market policies of the last decade, it was the deregulation of the airline industry.

However, US investors definitely did not share the public's enthusiasm for aviation - until the bidding frenzy which broke out in the sector earlier this year.

Wall Street expects the takeover approach from Mr Marvin Davis, the Los Angeles-based oil and real estate billionaire, disclosed by UAL, the parent of United Airlines, to value the company at around \$225 a share or \$5bn.

This would be roughly four times UAL's share price just two years ago, when the company took on nearly \$3bn of debt as part of the leveraged break-up and restructuring of the Allegheny travel conglomerate. It would be double the value of UAL calculated as recently as three months ago.

But Mr Davis's offer, which UAL described as "unsolicited and highly conditional" in its rather testy announcement on Monday, will be probably only the opening salvo in a bidding war that could take UAL's value much higher - perhaps up to \$300 a share or more, if many aviation analysts on Wall Street are to be believed.

Even by Wall Street standards, the takeover premiums being discussed for UAL are very ambitious. Why should a company which has already been viewed as a possible takeover candidate for a year or more suddenly be worth twice as much as anyone was previously prepared to pay for it?

The most obvious reason is simply the price of \$121 a share or \$3.6bn paid last month for NWA, the fifth largest US airline.

The NWA contest left several bidders frustrated, with billions of dollars of financing already in place. These included not only Mr Davis, a man with personal net worth estimated at around \$1.6bn, but also Kohlberg Kravis Roberts, the leading New York leveraged buyout group, and Pan American, the heavy-loss making trans-Atlantic airline which desperately needs to graft itself onto a stronger partner if it is to survive in the long term.

The bidding for NWA added a

around six times its prospective annual cash flow. Even at yesterday's market price of \$221, UAL was trading at a cash flow multiple of just over four.

What is extraordinary, at least in retrospect, about the airline industry and what accounts for the massive premiums in the NWA and UAL buyout proposals is that the valuations accorded by the stock market to airline stocks have in the past been very low. A multiple of four times annual cash flow hardly appears

And the impact of small fare changes can be spectacular on businesses with high fixed costs, such as aviation. A 10 per cent rise or fall in average revenues per passenger mile can easily double or triple an airline's cash flow, according to Mr John Eichner of SH&E, a leading New York aviation consulting firm.

Public concern about rising airfares could lead to some form of deregulation. More plausibly, but just as alarmingly, Washington could try a market-based approach to attack the airlines' oligopoly - for example, by auctioning scarce take-off and landing slots at over-used hub airports or by allowing freer entry to non-US competitors.

These are the kind of issues that, until recently, have made Wall Street sceptical about the booming profits of US airline companies.

According to Mr Eichner and a growing body of other analysts, however, the preoccupation with regulatory policies has been vastly overblown.

In a recent study he conducted for the US Congress, Mr Eichner found that airlines' fares fell in real terms by an average of 2.3 per cent annually in the 10 years after deregulation, even including the big increases announced last year. To his surprise, he says, he also found that real fares fell by an average of 2.3 per cent in the 10 years before deregulation and an average of 2.1 per cent in the decade before that.

Such figures suggest that the underlying trends of productivity and demand growth are more important than regulatory regimes in determining the price and profitability of aviation in the long term. When it comes to ultra-leveraged takeovers, however, the long term can be too long in coming.

further intriguing twist with the involvement of KLM, the Dutch airline, as a 20 per cent partner and key source of financing for the Cecchi group.

International air travel is growing much faster than domestic flying in the US, and the foreign carriers are seen by many analysts as the most important threat to the oligopoly created by the big US airline mergers of the last three years.

United Airlines' involvement with British Airways through a joint marketing agreement, and as a partner in Covia, UAL's computerised reservation system, has led some analysts to speculate that BA might put its financial weight behind a takeover bid for UAL.

The NWA bidding established new criteria for the "private market values" of big US airline groups. NWA was valued at

over-ambitious, or even generous, by the standards of Wall Street's merger mania.

The real mystery, therefore, about the takeover fever in the airline sector relates not to the premiums on offer from Mr Davis, Mr Cecchi and others, but to the pre-bid valuations of the airline stocks.

This brings us back to the politics and economics of airline deregulation.

Fund managers on Wall Street have been extremely sceptical about the sustainability of airline profits.

After all, average air fares have risen by about 12 per cent so far in 1989 after a rise of about 7 per cent last year. Consumers and politicians are becoming restive as they realise that the big fare increases are due to the virtual elimination of competition on many important routes.

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INTERNATIONAL COMPANIES AND FINANCE

Telefónica boosts interim profit 13% to Pta32.7bn

By Peter Bruce in Madrid

TELEFONICA, the internationally quoted Spanish telephone monopoly, yesterday reported a 13.2 per cent increase to Pta32.7bn (\$273.3m) in net profits for the first half of 1989.

The company said accelerated income in the first six months had helped compensate for a 23 per cent increase in operational costs, which just topped Pta14.1bn. Turnover grew 15 per cent to Pta34.5bn. Second-quarter pre-tax profits were released in London on Monday.

Mr Candido Velazquez-Gaztelu, who was appointed chairman of Telefonía by the Government earlier this year, has said he expects net profits to advance about 10 per cent, to about Pta69bn, for the whole year.

Telefónica is, however, still having great difficulty meeting demand for basic telephone

services in Spain. At the end of June the waiting list for telephones in the country had reached 624,000 lines, nearly 200,000 more than forecast.

The company is planning to invest Pta610bn in modernising its network next year, about Pta200bn of which is to be spent on installing some 1.9m new lines.

The Spanish company, in which the Government still has a large minority stake, has recently signed contracts for the necessary switching equipment with Alcatel-Standard Electrica, Intelsat-LM Ericsson and AT&T Network Systems.

About 500,000 of these lines were to have been installed this year but plans have been hit by production delays at Alcatel and Ericsson.

Corporacion Mapfre, Spain's largest independent insurer, yesterday reported unconsolidated net profits of

Pta970m for the first six months of 1989, an 80 per cent increase on last year's period. The figure refers only to reinsurance, the company's main business sector.

Of its other businesses, not consolidated into the interim figures, the company said conventional life premiums grew 45 per cent to Pta9.5bn while property and casualty income had surged 59 per cent to Pta10.9bn.

Corporacion Mapfre is controlled by Mapfre Mutualidad, Spain's biggest mutual group. Under its complicated corporate structure, Mapfre Mutualidad directly controls the group's prosperous car insurance business while placing the remaining companies under the Corporation, which is quoted on the Madrid stock market and which made consolidated pre-tax profits of Pta1.1bn last year.

Outcome of Wärtsilä talks due tomorrow

By Enrique Tessieri in Helsinki

THE FINNISH Government is expected to announce tomorrow the results of talks with privately-owned Wärtsilä Marine, one of the largest shipbuilders in Europe which has turned to the Government to save it from bankruptcy.

Although many Finnish industrial sectors are criticising the Government for giving Wärtsilä Marine special treatment, there is a hint of optimism over the outcome of the talks.

Mr Eror Wahlroos, a Ministry of Trade and Finance official involved in the negotiations, reaffirmed that the state would not be the only party to bail out the financially troubled shipbuilding company.

"The Finnish Export Guarantee Board will not back any loans if other parties are not found to put up the cash," he said. "Included should be the owners [the Wärtsilä engineering group and state-owned Valmet] as well as principal financiers [Union Bank of Finland and Fininvest, the insurance company]."

Portugal back on the broking map

Diana Smith on the repercussions of a sweeping privatisation drive

Foreign investors and Portuguese groups are queuing up for shares in whatever enterprises the Portuguese Government cares to privatise, in spite of criticism of bureaucratic delays in the schedule.

The commitment of Prime Minister Anibal Cavaco Silva's Government to sweeping privatisation - part of attempts to reduce the state's budget deficit - seems to have put Portugal back on international brokers' maps after 18 months in no man's land. Simultaneously it is giving a useful fillip to bourse activity in general.

Portuguese bankers and brokers and Spanish, British, German and French buyers wanting a piece of the action have given new momentum to the bourse; many would-be foreign buyers of privatised shares who are outbid choose not to take their money home and seek, instead, other paper in Lisbon or Oporto.

It is estimated that foreigners now make more than half the running on the Lisbon bourse, where trading is returning to pre-1987 crash levels of between \$6m and \$7m a session.

The first sales - of a 49 per cent stake in Unicer, the state-run brewery, and Banco Totta e Acores (BTA), the commercial bank - set the privatisation pace earlier this year. Unicer could have sold three times as many shares as it did while BTA was four and a half times subscribed.



Lisbon bourse activity has been bolstered by Prime Minister Silva's privatisation policy

The sale of 49 per cent of Allianca Seguradora, the insurance company, has hit problems, however. Although it was planned for last month the sale will not occur until September 29, reportedly due to lack of a quorum in the official commission which vets privatisation proposals and to hesitation over share pricing.

Two more privatisations are due this year - that of Tranquilidade Insurance and the state codfish fleet. The authorities have also announced the sale of at least 49 per cent of Banco Portugues do Atlantico, the largest state commercial bank, Centralcar, the second-largest state-run brewery, and Cimpor, the big cement producer. Eventually authorities aim for one privatisation issue every 45 days.

There is a continual flurry of assessments prior to semi-privatisation or, in time, full privatisation of 50 state banks, insurance companies, industries and service companies in the next six years. Organisations such as Banco Portugues do Investimento or CISP, a pioneer financial service company, are working flat out on half a dozen assessments at a time.

British brokers are at the front of the non-Spanish queue for privatised shares or those in listed companies. "Non-Spanish" is a necessary rider as the Spaniards made sophisticated purchases which netted them solid chunks of Unicer and BTA.

Columbia's Bavaria, Latin America's largest brewery, acted through the Lisbon-based Hispano-Americano Sociedade de Investimento, the investment offshoot of Spain's Banco Hispano-Americano, to take 13 per cent of Unicer. Friendly Portuguese block buyers helped build the stake.

Hispano-Americano also bought heavily for itself in the BTA auctions, at an average of \$1,900 (\$11.88) a share against an \$1,500 asking price - ending up with 700,000 of the 12.2m shares sold.

Spain's Banesto outstripped Hispano-Americano's effort by acquiring 3.32 per cent of BTA. It joined with Mr José Roquette, a prominent Portuguese financier, who snapped up 10 per cent and, with him, now controls a 13.32 per cent stake.

Mr Roquette recently sold his minority stake in holdings of the Espirito Santo family - which was disposed of in 1975

but which subsequently regrouped and prospered abroad, returning to Portugal in 1986 with a new bank, Banco Internacional do Comercio, an investment firm, Easli. The family is now amassing a Portuguese portfolio and recently became the first Portuguese group to float shares in London.

Denied by the Government compensatory shares in their nationalised assets or preferential purchase of privatised capital, the Espirito Santo family and other once-alienated Portuguese groups seem to be mulling to buy privatised shares. The Government says the past is closed and has paid what former owners see as miserly compensation for assets lost.

Mr Roquette's BTA strategy looks like an opening gambit for moves by names from Portugal's pre-1975 business scene even though some exhibited ex-owners, such as Mr Antonio Champalimaud, want a boycott of privatised shares. He contemptuously refers to the sell-offs as the "sale of stolen goods" by the Government.

Meanwhile, privatisation is a learning process for Portuguese officials used to controlling business for state-run businesses unused to sharing decisions with outsiders, and for post-1975 private businessmen unused to foreign capital market expertise.

The apparition of high-flying Spaniards and the re-emergence of urbane old guard groups has led some officials and businessmen to wonder

out loud whether privatisation is a good idea if it lets so many shares go to "strangers".

The authorities thought they had things sewn up against foreign ownership to 5 per cent of a privatised company while holdings by Portuguese individuals or enterprises were restricted to 10 per cent each. They reserved 12 per cent to sell, at a discount, to employees, small savers and emigrants - a "popular capitalism" analysts consider may prove unworkable.

The Government also set a 2,000-share limit on the amount that investment or pension funds could buy. The funds consider this stingy and hope new legislation later this year, incorporating June constitutional changes that allow full denationalisation of enterprises seized in 1975, will be more generous to funds and foreigners.

There are hints that the limit on share ownership by foreigners may be raised to 10 per cent. And the advent of the single European market in 1992 raises questions about all constraints on foreign shareholdings in EC companies.

Unicer and BTA's sale showed that where there's a foreign will - plus friendly Portuguese money - the Government can set whatever limits it likes and a way will be found around them, hampering access by individuals or groups lacking big allies.

Next year's battle over the big Banco Portugues do Atlantico may make the battle over medium-sized BTA look tame.

COMPANY NEWS IN BRIEF

SDS, the largest Danish savings bank, increased first-half earnings after depreciation and loss provisions from Dkr161m to Dkr226m (\$30.5m). Loss provisions were cut from Dkr371m to Dkr225m, writes Hilary Barnes in Copenhagen.

SDS will convert into a joint stock company this autumn. As the first big Danish bank to do so, it will adopt a holding company structure enabling it to diversify into other financial services.

The savings bank's net result after adjustments for gains and losses on securities declined from Dkr446m to Dkr223m.

This reflected a loss of Dkr151m on its bond portfolio compared with a gain of Dkr364m in the first half of last year. However, the gain on the share portfolio increased from Dkr118m to Dkr309m. The balance sheet total rose from Dkr87bn to Dkr114bn.

Mr Leo Kirch, the West German film and television distributor, is planning to file a suit against the supervisory board of Axel Springer Verlag, the West German media group, Reuter reports.

Mr Kirch's suit will allege that Springer did not answer his questions adequately at the

company's annual meeting on July 26, a spokeswoman for Mr Kirch said. The suit would be the latest development in a long battle between Springer and Mr Kirch, who controls 26 per cent of Springer and has tried to take over the media group.

Klicker-Werke, the diversified West German engineering and steel concern, said world group sales jumped 8.9 per cent to DM3.23bn (\$1.7bn) in the first six months of the fiscal year ending September 30. Year-earlier figures were not given, Reuter reports.

Output of raw steel climbed 3.6 per cent to 1.8m tons. Machinery sales climbed 4.9 per cent to DM1.25bn, while sales of plastics rose 8.7 per cent to DM286m.

Peugeot, the French vehicle group, said yesterday its consolidated revenue climbed to FF781.06bn (\$12.58bn) in the first half of 1989, up 14.2 per cent from the corresponding year-earlier total of FF717bn, AP-DJ reports.

Peugeot said the advance was led by a 16.1 per cent rise in foreign turnover to FF745.2bn. Domestic turnover was up 11.8 per cent at FF735.86bn.

First-half sales figures showed that turnover at the group's Automobiles Peugeot unit rose 14.3 per cent from a year earlier. Turnover at Automobiles Citroën, its other main vehicle making unit, was up 15.9 per cent.

Trelleborg, the Swedish industrial conglomerate, said it had bought a 1.5 per cent stake in Aker Norcem, the Norwegian engineering company, for Nkr7.5m (\$1.5m), Reuter reports.

The stock was purchased by Atlas International, Trelleborg's Norwegian subsidiary, in the past two months at prices between Nkr90 and Nkr130 a share. Atlas said the purchase was "purely a financial investment."

Leifheit, the small West German maker of kitchen appliances, bathroom and household products, said it planned to raise DM38m (\$20m) through a one-for-four rights issue to finance new acquisitions, AP-DJ reports.

Leifheit said it would issue 100,000 new common shares to existing shareholders at DM380 a share. This is a 34 per cent discount to yesterday's closing price of DM560, down from DM590 on Monday.

Wärtsilä Marine began talks with the Government about two weeks ago when it became evident that losses for this year would be greater than expected. The marine division of Wärtsilä incurred a loss after financial items in 1988 of Fm638m (\$148.7m).

Mr Wahlroos also blamed the division for foot-dragging over its acute financial state.

Rauma-Repoli, the Finnish engineering and forest industry group, said a meeting of shareholders had approved its planned issue of 22.38m shares, which will raise Fm537m.

The issue, announced in June, will raise Rauma-Repoli's share capital by Fm223.5m to Fm1.34bn. Shareholders will be able to subscribe for one new series I share at Fm24 each between August 14 and September 22 for every five old series I shares held.

The money raised will be used to strengthen the group's financing and to pave the way for new investment and acquisitions.

All of these securities having been sold, this advertisement appears as a matter of record only.

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(par value \$.01 per share)

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Compagnie de Banque et d'Investissements, CBI
Salomon Brothers International Limited
Yamaichi International (Europe) Limited

3,000,000 Shares

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Dean Witter Reynolds Inc.
Advest, Inc.
A. G. Edwards & Sons, Inc.
Prescott, Ball & Turben, Inc.
Wheat First Butcher & Singer
Bateman Elchior, Hill Richards
Cowen & Co.
First Albany Corporation
First Southwest Company
Howard, Weil, Labouisse, Friedrichs
Johnston, Lemon & Co.
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August, 1989

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The First Boston Corporation

Morgan Stanley & Co.

Salomon Brothers Inc.

Shearson Lehman Hutton Inc.

Bear, Stearns & Co. Inc.

Alex. Brown & Sons

Donaldson, Lufkin & Jenrette

Kidder, Peabody & Co.

PaineWebber Incorporated

Prudential-Bache Capital Funding

Smith Barney, Harris Upham & Co.

Wertheim Schroder & Co.

Dean Witter Reynolds Inc.

Advest, Inc.

Blunt Ellis & Loewi

J. C. Bradford & Co.

Dain Bosworth

Legg Mason Wood Walker

McDonald & Company

Morgan Keegan & Company, Inc.

Piper, Jaffray & Hopwood

The Robinson-Humphrey Company, Inc.

Rodman & Renshaw, Inc.

Wheat First Butcher & Singer

Shearson Lehman Brothers

Holdings Inc.

(Incorporated in Delaware)

U.S. \$500,000,000

Floating Rate Notes Due 1991

For the three months
9th August, 1989 to 9th November, 1989
the Notes will carry an interest rate of 8⁷/₃₂ per cent per annum and interest payable on the relevant interest payment date 9th November, 1989 will amount to U.S. \$226.01 per U.S. \$10,000 Note.

By Morgan Guaranty Trust Company of New York, London Agent Bank

To the Holders of Warrants to subscribe for shares of common stock of

MR MAX CORPORATION

(the "Company")

(issued in conjunction with an issue by the "Company" of

US\$40,000,000

3¹/₂ per cent. Guaranteed Bonds 1992)

Notice of Typographical Error Concerning Subscription Price
Notice is hereby given that the Subscription Price after adjustment (effective 21st August, 1989) at which shares are issuable upon exercise of the Warrants will be Yen 1,363.6 and not Yen 1,336.6 as stated in the notice made on 7th August, 1989.

MR MAX CORPORATION

By: The Tokyo Trust and Banking Co., Limited,
9th August, 1989

INTERNATIONAL COMPANIES AND FINANCE

Quaker Oats hit by reshaping costs

By James Buchanan in New York

QUAKER OATS, the Chicago food and toy group, yesterday reported a 10% increase in operating earnings in the bulk of its business, but lower net income because of special charges.

Quaker, which has brands including Quaker Oats, Gatorade soft drink and Fish-Price toys, said its operating earnings in its fourth quarter to June rose 10 per cent to \$229.4m on a 5 per cent rise in sales to \$1.65bn. The quarter ended on a 11 per cent rise for

the year to \$566.5m on a 7 per cent increase in sales to \$5.72bn.

But in the course of the year, Quaker charged \$124m or \$1 a share to its profits to consolidate food-processing plants and \$20m or 20 cents a share to account for a change in the way it values its US grocery products in its books. In 1988, the charges were only \$18.5m or 18 cents a share.

The result was that in the fourth quarter net earnings fell from \$94.1m or \$1.18 a share to

\$56.5m or 71 cents a share to give an outlook for the year of \$202m or \$2.56 a share, down 21 per cent. Without the charges, net income per share would have been \$1.57 and \$2.76.

Mr William Smithburg, chairman, said: "Excluding the various restructuring charges associated with our steps to keep Quaker a low-cost provider of premier brands, our overall performance was again at record level."

In its North American business, operating income for the

year rose 16 per cent to \$286m on a 9 per cent rise in sales to \$3.63bn. Unit volume rose 1 per cent. In the overseas groceries business, operating income rose 19 per cent to \$114m on a 5 per cent rise in sales to \$1.26bn. Unit volume rose 6 per cent.

Profits from Fisher-Price declined 8 per cent to \$97m, but this was down from what Quaker an exceptionally strong performance in 1988. Sales were still ahead 3 per cent at \$844.5m.

Bajaj Auto revs up to stay leader of the pack

If it's tough being number one, it's even tougher staying number one, as Mr Rajal Bajaj, chairman of Bajaj Auto, India's largest manufacturer of scooters and three-wheelers, knows only too well.

In spite of enjoying an awesome 43 per cent of the Rs20bn (US\$1.21bn) Indian two-wheeler market, Bajaj Auto is leaving no avenue unexplored to further increase its sales (Rs5.3bn on an annualised basis) - even abig Japanese players, such as Honda, Suzuki and Yamaha, with their Indian partners, rev up their own marketing efforts.

Last month the company signed an agreement with the Orbital Engine Company, the Australian company headed by the inventor, Mr Ralph Sarich, to acquire its two-stroke engine technology.

Bajaj Auto is launching four new two-wheeler models and one new three-wheeler over the next 18 months. The first off the drawing board - by October - will be the Bajaj Sunny, a 50cc scooter of which the company expects to sell 90,000 models a year. Two 150cc scooters, Stride and Legend, are due to roll off its assembly lines at Pune and Walaj in the state of Maharashtra early next year.

A four-stroke 100cc motorcycle will hit the market by September 1990. In 1991, a three-wheeler, which can be adapted for use either as a small taxi or a goods carrier, will be offered.

Each of the above models has been carefully positioned in the market. The Sunny is more expensive than a moped, but cheaper than other scooters available. Stride, with its sleek, Italian-designed body

and cost-efficient price tag, will directly challenge Kinetic, Honda's 100cc model.

Stride's cousin, the Legend, will be an update on the evergreen Chetak, while it is hoped the new motor bike will rival the standard sale of the Kawasaki-Bajaj model. The new three-wheeler will help maintain the company's formidable 75 per cent share of this specialised market.

Advertising has been simultaneously beefed up. For more than a quarter of a century, Bajaj Auto never had to seriously advertise. Until a couple of years ago, there was a 20-year waiting list and even today demand far outstrips supply. In the last nine-month financial year, the company produced 427,526 scooters against a demand for 2.1m units. "But such lists can evaporate overnight," says Mr Bajaj. To keep demand vigorous, a campaign portraying the high resale value of a 17-year-old Bajaj scooter has been singularly successful in re-asserting customers' faith in the old workhorse.

Mr Bajaj has constantly been lobbying the government to allow him to expand production facilities. Under the slightly more liberal atmosphere of the Mr Rajal Gandhi's administration, this has met with limited success. In November 1985, production facilities were enhanced by the opening of a 350,000 unit per year plant at Walaj. Over the next four years, Bajaj Auto will spend more than Rs200m in two phases to bring the Walaj facility to the 1m unit mark.

If there is a speck of dust in Bajaj's carburettor which could slow its drive down the fast track, it may turn out to be the labour force. Last year an eight-month strike at Walaj crippled production. Though workers reentered the factory gates in July last year, the traditional three-year contract with the main union expired this March and is currently being renegotiated. Mr Bajaj acknowledges: "There is always the possibility of a strike when such negotiations are taking place."

Two sites for residential development were bought early this year, prior to the events in China, which have cast a shadow over the local property sector. However, Mr Ho said Shun Tak would continue its existing investment policies in Hong Kong and Macao.

Sales fall at Kirin Brewery

By Our Financial Staff

KIRIN BREWERY, Japan's largest beer producer, reported pre-tax profits of ¥26.7bn (\$190.6m) for the first half of a new accounting year to December - for which the company has revised downwards its forecast earnings because of stronger competition in the domestic market.

Sales for the six months to June were ¥758.5bn, down 19 per cent from last year's first half, though the fall was distorted by the change of reporting period, which began last year at the end of January and took in an extra month of summer, traditionally the season of highest demand.

However, Kirin conceded that real sales were down 0.6 per cent on a year earlier, even though total domestic demand grew by 5.3 per cent.

It said it company had lost market share because of a failure to capitalise on the demand for "dry beer," a particularly popular, higher alcohol brew that now appears to have reached its sales peak.

Kirin, along with the other leading Japanese brewers, has released a collection of new products this year in the wake of the "dry boom," and the company says that the new lines are already showing better than 10 per cent growth.

Beer accounted for 81 per cent of the company's sales for the half year, with soft drink sales comprising most of the remainder. The company, which has about half the domestic beer market and is the world's fourth-largest brewer, now predicts pre-tax profit for this year of ¥70bn, down from a earlier estimate of ¥75bn, and also down from last year's ¥64.7bn.

Sales for the year are predicted at ¥1.21bn for the year, revised downward from a previous estimate of ¥1.22bn. The company said the sales fall can be partly explained by a new tax structure for consumer goods, resulting in a cut in taxes on alcohol, and a crushing a spree of price cuts leading to a fall in expected revenue.

Last week Asahi Breweries, one of Kirin's main Japanese rivals, reported almost doubled pre-tax profits of ¥11.4bn in the first half to June, up from ¥5.8bn. Its turnover was up 45.6 per cent on ¥22.1bn, short of its original projection of 46 per cent growth.

Two US chain stores improve

By Our Financial Staff

TWO LARGE chains operating at opposite ends of the US department store sector each yesterday produced strong interim results, signalling a continued revival particularly in apparel retailing.

Wal-Mart Stores, which has about 1,300 discount outlets - mainly in the small towns of the Sunbelt and Midwest, and carrying lines from hardware to clothing - lifted net profits to \$417.3m from \$333.2m for the first half to June, as revenues expanded to \$11.49bn compared with \$9.18bn.

The company headed by the legendary Mr Sam Walton has been undertaking an aggressive programme of opening new stores.

It said that during the second quarter it opened 28 new Wal-Mart stores and three

Sam's Wholesale clubs for a net addition of 2.96m sq ft of retail floor space.

At The Limited, Mr Leslie Wexner, the chairman, declared: "I believe the current fashion environment has stabilised from the abnormal swing experienced in late 1987 and early 1988."

He was reporting doubled net earnings of \$109.0m against \$54.6m, on sales which grew to \$1.96bn from \$1.70bn.

The Limited has some 3,000 outlets, largely devoted to upmarket womenswear. The company said the sales gains would have been higher except for the sale at the end of the first quarter of the Lerner Women division.

It operates under its own name as well as owning Lane Bryant outside chain and

Victoria's Secret, a lingerie specialist.

The US market for ready-made fashion took a tumble in mid-1987 as consumers pared back non-essential purchases, hitting The Limited's sales - and share price - well in advance of the October stock market crash.

Mr Wexner said that as a result of the more stable conditions now, he foresaw a good second half, adding: "Generally our fall merchandise is performing to expectations."

For the second quarter alone, net profits were \$63.6m compared with \$30.7m, drawn from sales of \$390.3m against \$383.1m. Wal-Mart's earnings in the three months to June were \$219.0m, up from \$179.5m, and revenues reached \$6.09bn from \$4.87bn.

Scitex leaps to \$13.6m midway

By Our Financial Staff

SCITEX, the Israeli publishing equipment maker headed by Mr Robert Maxwell of the UK, more than doubled first-half net profits to \$13.6m from \$5.88m as sales rose 18 per cent to \$107.17m.

The company was last month rebuffed in its attempt to buy Crosfield Electronics, a unit of De La Rue, the British security printer in which Scitex laid out \$17.17m (\$27.5m) to amass a 6.5 per cent stake.

De La Rue is instead selling Crosfield for \$235m to Du Pont of the US and Fuji Photo Film

of Japan, and Scitex - which had indicated that it might have been prepared to pay between \$255m and \$265m for Crosfield - said yesterday only that "in view of this development, the company is now considering various alternatives."

Scitex specialises in computer imaging systems used mainly in printing and publishing but also to a lesser extent in textiles, printed circuit boards, and seismic exploration.

It said its Intel-based Prisma TM workstation, launched in

May, had attracted "a significant number of orders."

For the second quarter to June, profits were \$7.25m against \$2.83m on revenues which were up 17 per cent to \$55.41m.

Shares in Scitex are traded on the US Nasdaq market. Mr Maxwell's Mirror Group Newspapers owns about 27 per cent, for which he paid \$39m in January.

He took over as chairman from Mr Efraim Arzi, founder of the 20-year-old company. Scitex returned to the black in 1988 after three years of losses.

Oxon alters attack on rival Steinberg bid

OXDON Investments, of Toronto, has altered its court action through which it is attempting to halt a rival C\$1.3bn (US\$) bid for Steinberg, the Canadian food and property group, writes Robert Gibbons in Montreal.

It has dropped its request for a temporary injunction but Quebec's Superior Court has asked Oxon and its rival, a consortium of Socanav and Caisse de Dépôt, to present arguments on Friday on Oxon's demand for a permanent injunction.

Oxon claims that Caisse exceeded its powers by agreeing to finance more than 30 per cent of its joint offer with Socanav.

Strong \$ tips Commodore into fourth quarter loss

By Our Financial Staff

COMMODORE International, the US personal computer and peripherals company, yesterday announced a loss of \$10.1m for the fourth quarter to June and blamed a stronger US dollar for a significant fall in sales during the period.

The loss was offset by a tax credit of \$1.2m, and the company predicted that it would return to profitability in the three months to September.

Sales for the latest quarter were \$180.5m compared with \$205.1m in the previous period, when profits were \$12.2m.

Net profit for the year was \$50.1m, up from \$48.2m in the preceding fiscal year - that figure was lifted to \$55.8m by a \$7.6m tax credit.

Commodore depends on overseas operations for about three-quarters of revenue, and so margin and sales figures were particularly hard-hit by the recent strength of the US dollar.

Sales for the year were \$239.7m, an increase from \$211.1m on the previous year.

The company, dependent on two models of personal computer for about 40 per cent of sales in fiscal 1988, reported that operating expenses had increased during the year and that demand had softened in major markets.

The anticipated return to profitability will be influenced by future fluctuations in the dollar.

Botswana RST cuts net loss as metal prices rise

By Jim Jones in Johannesburg

BOTSWANA RST, the nickel and copper mining company, benefited from a considerably stronger metal prices during the first part of the half-year to June.

However it was affected by production problems at its Selebi-Pikwe mine and smelter in eastern Botswana.

The company's debt totalled 1.36bn pula (\$874.2m) by midyear and operating profits remain insufficient to cover interest obligations.

Lower ore grades and furnace problems combined to reduce the first half's nickel production lower to 9,289 tonnes from 11,888 tonnes in

the first half of 1988, copper to 9,906 tonnes from 13,456 tonnes and cobalt to 107 tonnes from 154 tonnes.

Sales revenue rose to 271.3m pula from 171.4m pula.

The interim profit before deferred royalties, interest payments and unrealised exchange rate adjustments increased to 141.5m pula from 86.8m pula and the net loss shrank to 15.1m pula from 185.1m pula.

Botswana RST has never declared a dividend and the directors repeat their earlier warnings that no payouts are likely while the debt burden remains in place.

Interest income lifts Shun Tak

By Michael Marry in Hong Kong

SHUN TAK Enterprises, the ferry operator which carries passengers between Hong Kong and the nearby Portuguese enclave of Macao, has reported net profits of HK\$121.7m (US\$15.5m) for the six months to June - a 50 per cent increase.

Most of the improvement came from an increase in interest income on surplus cash, although higher fares on jet-folds and increased traffic also made higher contributions.

Turnover at Shun Tak, a listed company within the business empire of Mr Stanley Ho, a casino magnate, rose 31 per cent to HK\$590.5m.

Passenger traffic between Hong Kong and Macao -

where casinos are legal, unlike in the British colony - surged last year following the introduction in 1987 of simpler entry formalities for Hong Kong citizens.

Overall traffic growth in the first half of this year was only 0.9 per cent. With its fleet of high-speed jet-folds, however, Shun Tak increased its own market share from 68.4 to 70 per cent in the first half of the year.

A new ferry service between Hong Kong and Taiwan has suffered in the wake of the crisis in China, however, and a company statement said that its viability will be reevaluated later this year. Many Taiwanese customers of the service

were using Macao as a convenient jumping-off point for China, to which direct travel is prohibited, but the number of Taiwanese visitors to the mainland has slumped since the June crackdown in Peking.

Over the past year Shun Tak has diversified into property investment, with the purchase of a basement retail arcade in the busy tourist area of Kowloon.

NOTICE OF REDEMPTION

HMC MORTGAGE NOTES 2 PLC
Class A Mortgage Backed Floating Rate Notes
Due February 2015

NOTICE IS HEREBY GIVEN to the holders of the Class A Mortgage Backed Floating Rate Notes Due February 2015 (the "Class A Notes") of HMC Mortgage Notes 2 PLC (the "Issuer") that, pursuant to the Trust Deed dated 23rd February, 1988 (the "Trust Deed"), between the Issuer and The Law Debenture Trust Corporation p.l.c. as Trustee, and the Agency Agreement dated 23rd February, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class A Notes, Available Funds as defined in the Terms and Conditions in the amount of \$8,500,000 will be utilized on 23rd August, 1989 (the "Redemption Date") to redeem like amount of Class A Notes. The Class A Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS A NOTES OF \$100,000 EACH BEARING
THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

1688	1771	1968	2078	2241	2435	2647	2796	2922	3102	3211
1702	1777	1982	2115	2257	2447	2657	2819	2939	3104	3216
1708	1827	1990	2138	2279	2466	2670	2823	2942	3125	3237
1718	1841	1992	2151	2275	2487	2682	2832	2949	3127	3239
1719	1860	2001	2153	2281	2491	2695	2845	2962	3131	3241
1727	1873	2011	2178	2282	2502	2708	2857	2968	3139	3249
1739	1906	2043	2206	2388	2603	2753	2880	2916	3168	
1765	1933	2044	2226	2417	2642	2788	2912	3033	3191	

The Class A Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company
of New York
PO Box 161
1 Angel Court
London EC2R 7AE
Banque Internationale
de Luxembourg S.A.
2 Boulevard Royal
L-2553
Luxembourg

Morgan Guaranty Trust Company
of New York
Avenue des Arts 35
B-1040 Brussels, Belgium

Morgan Guaranty Trust Company
of New York
30 West Broadway
New York, New York 10015
Attn: Corporate Trust Operations

In respect of Bearer Class A Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unmatured coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at any specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class A Notes which are the subject of this Notice of Redemption.

HMC MORTGAGE NOTES 2 PLC
By MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Principal Paying Agent

Dated: August 9, 1989

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class A Notes to the paying agent's New York Office.

Notice of Redemption
To the Holders of

Monsanto Company

9 3/4% Series A Notes Due 1991

NOTICE IS HEREBY GIVEN that, pursuant to Paragraph 6(a) of the above-described Notes ("Notes"), all of the outstanding Notes will be redeemed on September 11, 1989 ("Redemption Date") at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the Redemption Date (for a total payment of \$5,310.10 per \$5,000 principal amount of the Notes).

The Notes will become due and payable on the Redemption Date. Payment of principal and accrued interest will be made in U.S. dollars upon presentation and surrender of the Notes together, in the cases of Notes issued in bearer form (the "Bearer Notes"), with the appurtenant coupons maturing subsequent to the Redemption Date, at the main offices of Citibank, N.A. in London, Brussels, Paris, Amsterdam, Frankfurt and Milan; the main office of Citicorp Investment Bank (Luxembourg) in Luxembourg and the main office of Citicorp Investment Bank (Switzerland) in Zurich. Notes issued in registered form (the "Registered Notes") may be presented and surrendered for payment at Citibank, N.A., Corporate Trust Services, 111 Wall Street, New York, New York 10043, U.S.A.

Interest accrued on the Notes to the Redemption Date will be paid as specified above, and on and after the Redemption Date, interest will cease to accrue on the Notes. All unpaid interest installments represented by coupons which shall have matured prior to the Redemption Date shall continue to be payable to the bearers of such coupons, and the holders of the Bearer Notes called for redemption shall receive such unpaid installments of interest only upon their presentation and surrender of coupons representing such installments.

Monsanto Company

Dated: August 9, 1989

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your Notes for payment within the United States.

Gold Fields

Notice to holders of
Ordinary Share Warrants to Bearer
Special Interim Dividend

Following the announcement by Hanson PLC ("Hanson") that its increased offer for the whole of the issued share capital of the Company (the "Increased Offer") has been declared wholly unconditional, the Directors of the Company have declared a special interim dividend in respect of the year ended 30 June 1989 of 30 pence net per fully paid Ordinary share, inter alia, on the Ordinary shares in issue at the close of business on Monday, 7 August 1989.

This special interim dividend will be paid to Holders of Coupon No. 147 detached from Ordinary Share Warrants to Bearer on Tuesday, 29 August 1989, or at the expiration of six clear days after lodgement thereof, whichever is the later.

In London at: Barclays Bank PLC,
Stock Exchange Services Department,
54 Lombard Street, London, EC3P 3AH
or in Paris at: 6 et 8 Boulevard Haussmann, 75009 Paris
or in Zurich at: Union Bank of Switzerland,
45 Bahnhofstrasse, 8021 Zurich

Holders of Ordinary Share Warrants to Bearer who lodge or have lodged valid acceptances of the Increased Offer, accompanied by the Share Warrant to Bearer and Coupon No. 147, on or by Wednesday, 23 August 1989, will be paid the special interim dividend on Tuesday, 29 August 1989 or in respect of any such acceptances lodged after Wednesday, 23 August 1989, at the expiration of six clear days after lodgement thereof, by Lloyds Bank PLC, Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA.

Consolidated Gold Fields PLC
31 Charles II Street, St James's Square, London SW1Y 4AG

SABRE V

LIMITED

US\$155,000,000

Floating Rate Secured

Notes Due 1992

For the 6 months period 7th

August, 1989 to 7th February,

1990 the Notes bear the interest

rate of 8.5% per annum.

US\$4,344.44 will be payable

from 7th February, 1990 per

US\$100,000 principal amount of

Notes.

Yomich International

(Europe) Limited, Agent Bank

FIGHTER LIMITED

US\$800,000,000

Secured Floating Rate Notes due 1993

Interest Rate 8.00% p.a. Interest Period

August 9, 1989 to February 9, 1990.

Interest Payable per US\$100,000 Note

US\$4,351.11

August 9, 1989, London

By Citibank, N.A., (ISSN Dept.) Agent Bank

CORPORATE SECURITY

The Financial Times proposes to publish

this survey on:

OCTOBER 3RD 1989

For a full editorial synopsis and

advertisement details, please contact:

JONATHAN WALLIS

on 01-873 3565

or write to him at:

Number One

Southwark Bridge

London

SE1 9HL

FINANCIAL TIMES

LONDON & BUSINESS NEWSPAPERS

NEVI
A/S NEVI

DKK 600,000,000 Floating Rate Notes due 1993

Tranche B of DKK 300,000,000

In accordance with the provisions of the Notes, notice is hereby given that, for the three months period, 9th August, 1989 to 9th November, 1989, the Notes will bear interest at the rate of 9.4375 per cent. per annum. Coupon No. 12 will therefore be

UK COMPANY NEWS — THE BID FOR BAT

Is the company in a position to compete or heading for decay?
Hoylake attacks growth record

By Nikki Tait

IT WAS a very different approach taken by Sir James Goldsmith as he presented the Hoylake offer document yesterday, compared with that adopted when the bid was first launched a month ago. Then, he sped straight into questions. Yesterday, he delivered an hour-long attack on BAT's record.

The same argument comprises the centre-piece of the offer document. "The case for this bid must rest on the answer to simple questions," writes Sir James at the outset. "Has the existing management placed BAT in a position to compete successfully? . . . Or has it been managed in a way which could lead to progressive senescence and decay?"

In the document, Hoylake notes that the share of BAT's profits coming from tobacco has fallen from 74 per cent in 1978 to 46 per cent now, but its shares remain at a similar discount to the FT-A Industrial Share Index Price Earnings Ratio as they were then — a figure of slightly more than 30 per cent.

This judgement by the market, argues Sir James, is justified by BAT's record both on running the core business and its diversification policy.

The four areas of BAT's present business are dealt with separately in the offer document. ● **Core tobacco side** — it claims that the share of the world cigarette market has declined since 1982, when the present chairman, Mr Patrick Sheehy, took up his post. In the US, it argues that the share is down from 13.3 per cent to 11 per cent. "Over the period, BAT's tobacco division spent \$722m on capital expenditure, its profits rose 4 per cent compound — and its world market share continued to decline."

This is contrasted with the record of Philip Morris, where Hoylake says \$983m has been spent on capital expenditure, profits have risen 12.7 per cent and world market share has risen.

● **Retail interests** — it catalogues various diversifications which it claims were a failure and argues that "this grouping of disparate retail companies

forms a conglomerate within a conglomerate". It says that BAT saw a 2 per cent growth in retail profits between 1983 and 1988, and contrasts that with the likes of Marks & Spencer, Boots and Dillards Department Stores in the US.

● **Paper** — this is BAT's best story, says the document, noting that profits grew from \$100m in 1983 to \$186m in 1988, an average annual growth rate of 13.2 per cent. However, it adds that the more recent performance shows "that profits have fallen from the 1986 peak and in its principle US market of carbonless paper, BAT has admitted to losing market share."

● **Financial services** — it claims that "once again a disparate collection of financial services companies has been formed". Hoylake maintains that the Eagle Star record has been "substantially flattered" by an accounting policy which includes both unrealised and realised investment gains in the earnings used to compute earnings per share.

"This accounting engineer-

ing has added more than £500m in aggregate to the pre-tax profits of BAT since the acquisition of Eagle Star in 1984," it claims.

For good measure, Hoylake also compares the BAT performance record against some other UK multinational conglomerates, suggesting that there has been a 67 per cent cumulative growth in earnings per share between 1983 and 1988 in contrast to 173 per cent at Lomrho, 238 per cent at BTR and 354 per cent at Hanson.

Not surprisingly, the comments are comprehensively rejected by BAT as "extremely slick and selective". Citing one example which it claims typifies the Hoylake approach, it points to a quotation in the document. "Expansion of the group must come predominantly through the organic growth of our business," it reports Mr Sheehy as saying in the 1983 accounts. BAT pointed out yesterday that the quote reads on "...but first we must take care to establish a range of activities that gives us the potential for such growth."



Getting their ideas in focus: Kerry Packer (right), Sir James Goldsmith and Jacob Rothschild yesterday presenting Hoylake's offer

Three types of securities on offer

Nikki Tait looks at the financing arrangements for the bid

INVESTORS who accept the Hoylake offer will exchange their BAT Industries shares for three types of securities.

For every 1,000 BAT shares, they will receive 24,250 nominal of Hoylake senior secured notes, secured on the cash raised from the disposal of certain BAT assets, \$4182 nominal of subordinated notes, and 387 ordinary shares in Anglo.

The offer document makes five 'health warnings', including the caution that 'there can be no assurance that any active market for either class of Hoylake notes will develop.'

Anglo is an existing quoted company, earmarked earlier this year as the principal vehicle for Sir James Goldsmith's return to the UK acquisition trail.

If the offer is fully successful in its present form, Anglo will end up with 75 per cent of Hoylake (before taking account of an "override" scheme explained elsewhere on this page), which in turn will own 100 per cent of BAT.

Existing BAT shareholders will have 82 per cent of Anglo while existing Anglo shareholders will retain the remaining 18 per cent.

The bare bones of this financing were revealed when the bid was announced four weeks

ago. Yesterday's offer document, however, gives the first full details of two pieces of Hoylake paper.

In terms of the total offer consideration, which is put at close to £13.5bn, these two loan note tranches are said to account for £11.5bn, while the much enlarged Anglo equity is valued at £2.0bn. This last figure is simply derived from taking the number of Anglo shares which would be in issue if the bid is successful, and multiplying by Anglo's recent market price.

Of the other two pieces of paper:

● The senior secured notes will bear interest at various margins over Libor — starting with an initial margin of 3 per cent points per annum, which reduces to 2.5 per cent when certain security is in place and to 2 per cent when these notes are fully "cash collateralised." They will initially be secured on Hoylake's assets — its 100 per cent ownership of BAT and any distribution received by Hoylake of the net proceeds of disposals of BAT assets.

Redemption will take place as to 50 per cent, 25 per cent and then 25 per cent of the notes approximately 18, 24 and 36 months after their issue. Bankers Trust has said it believed that if issued on August 4, the Hoylake notes would have had a value then of approximately par.

● Interest on the subordinated notes will be paid initially at 14.5 per cent per annum, rising to the higher of the initial rate

and three-month dollar Libor plus 5.75 percentage points per annum, plus a further margin. This additional margin will be zero in the first quarterly period, but increase by 0.5 per cent on each successive interest payment date during the first two years from issue and by 0.25 per cent on each successive interest payment date after that.

Interest in the first two quarterly periods will be paid to the holders of the Hoylake subordinated notes on the last day of the second quarterly period. Thereafter interest payments will be made on the last day of each quarterly period.

The notes are subordinate to the senior notes. They can be redeemed at any time at par, and will be redeemed in full at

par four years after issue. In this case, Drexel Burnham Lambert has estimated a value of par, if they had been issued on August 4.

The precise value of the offer was still being disputed by the defending camp yesterday, and the offer document itself puts forward five "health warnings" — ranging from the lack of assurance about the value of Anglo shares if the offer becomes unconditional, to the statement that "there can be no assurance that any active market for either class of Hoylake notes will develop."

On the last point, the document makes clear that — at least at the outset — any direct marketing of the senior secured notes to US investors is effectively ruled out.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Current dividend	Total for year	Total last year
BTS Group \$	0.5	Sept 29	2.85	0.5	4.25
Cap & Counties	5.25	Oct 2	4.25	-	10.5
CRT	20	-	20	-	50
Shires Estates	0.5	-	0.5	-	1.5
King George	nil	-	0.75	0.75	1.5
Life Sciences	0.84	Oct 16	0.5	-	1.6
NFC	1.35	Sept 29	-	3.84	-
Pacer Systems	34	Dec 15	2.5	-	5.5
Prescott	2.21	-	3.22	3.21	4.2
TH City of Lond	1.09	Aug 31	0.73	3.4	2.65
Trencherwood	1.5	Oct 6	1.51	-	5.13
WPP Group	11.3	-	5.4	-	17.8

Dividends shown below per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. \$USM stock. \$US quoted stock. ‡Third market. †Carries scrip option. *US cents. ‡Includes special 1.01p payment. †Includes special 2.2p payment. ‡Third interim. *Payable to date. Forecast total of 7p will be increased to 7.5p.

Override facility included to compensate holders and investors for risk taken

By Andrew Hill

THE BID for BAT Industries includes the US-inspired refinement of a "profit override".

The override, say the predators' advisers, offers some compensation to the original Hoylake investors and existing Anglo shareholders for the risk taken in making the bid.

It also compensates Sir James Goldsmith, Mr Jacob Rothschild and their fellow investors for the loss of the 24m paper profit on their 1.25 per cent investment in BAT. If the bid is successful that profit will be massively diluted by existing BAT shareholders' 92 per cent holding in the enlarged Anglo.

In simple terms, the override clause entitles existing shareholders of Anglo Group and the original Hoylake investors to 8 per cent of Hoylake's distributions of BAT proceeds, and any increase in the value of the company's equity.

For example, the subscription cost of Hoylake's issued share capital is roughly £3.5bn at the moment. At January 1 1992 an independent UK merchant bank or US investment bank will value Hoylake's issued

capital, which should be boosted by disposals of BAT's non-tobacco businesses.

Original Hoylake investors and existing Anglo shareholders will be entitled to 8 per cent of the difference. If the value has increased to \$4bn the eligible shareholders will receive \$40m. They will also receive 8 per cent of any distributions of proceeds on BAT disposals.

That 8 per cent reward will be weighted in favour of the individual Hoylake investors, an additional incentive for them to get the best price possible for BAT's non-tobacco interests and a reflection of the extent of their initial interest.

Hoylake investors will receive 40 per cent of the override; existing shareholders in Anglo — 74 per cent of which is owned by Sir James and Mr Rothschild — will receive the balance.

In addition Anglo's existing shareholders will be able to participate in an issue of warrants, on the basis of one for every two shares held, exercisable at \$50p per Anglo share, compared with the price of 439p before the BAT offer was announced.

The override will be distributed in the form of Hoylake 'B' shares. Anglo will convert its share of the pay-out into profit participation shares (PPS), offered on the basis of one PPS for every 10 Anglo ordinary shares held.

Compared with US examples, the Hoylake override is said to be fairly modest and Hoylake advisers stressed yesterday that the major benefit for Hoylake and Anglo investors would come from their continuing stake in the group, rather than from the override.

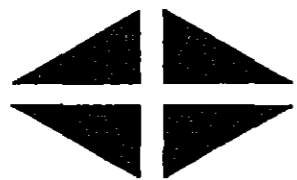
If the offer is fully accepted, the original cash investors will be left with 25 per cent of Hoylake.

Existing BAT shareholders will have 92 per cent of the enlarged Anglo, and existing Anglo shareholders will own the balance.

Anglo, in turn, will own the outstanding balance of Hoylake — some 75 per cent.

Assuming the minimum level of acceptance for the offer to be declared unconditional, accepting BAT shareholders would represent 78.8 per cent of Anglo's share capital, and Anglo would own 60 per cent of Hoylake's equity.

This announcement appears as a matter of record only.

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August, 1989

CHARTERHOUSE**Anglo United
wins Coalite bid**

DAVID McErlain's Anglo United has won its £478m bid for Coalite, Britain's largest private fuel distribution group and owner of the Falkland Islands Company. The Anglo team declared cash and shares.

**THE NAME
BEHIND THE NEWS.**

Charterhouse Tilney, as sole broker to Anglo United in its £480 million bid for Coalite, arranged the sub-underwriting of a 100% increase in Anglo's equity.

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Potential Made Possible

THE BID FOR BAT

Professor Jimmy books his ticket for Brazil

By Barry Riley

MEET Professor Goldsmith. You have heard of Jimmy Goldsmith, international playboy, and of Sir James Goldsmith, billionaire financier. But yesterday another academic side to his character was revealed as he lectured the assembled press on the intricacies of his consortium's bid for BAT Industries.

Stunched at the podium, he peered at his audience over half-glasses, occasionally using a long white stick to point to one of a series of projected charts illustrating many alleged inadequacies of the BAT management.

He may have been expelled from Eton long before passing his A-levels, but this did not inhibit him from plunging into lengthy explanations of, er, er, er, subjects ranging from corporate governance and the nature of debt instruments to the technicalities of the Constitution of the United States.

But unlike a true professor, at one stage he had the grace to apologise about the length of his exposition.

As his seminar progressed,

too, his language became rather less than scholarly. BAT was guilty, he suggested, of "financial disengineering" by which he meant, apparently, that it destroyed value rather than created it.

BAT was bureaucratic, sprawling, and skillful only at protecting quasi-monopolies in distant lands. If BAT were misguided enough to fight on its record it would be "dead in the water".

Throughout all this his Australian partner Mr Kerry Packer sat impassively. But eventually, in attacking the tobacco giant's acquisition policies, Sir James popped in an antipodean reference. "Compared to BAT, Alan Bond has got iron self-discipline," he said. Mr Packer briefly broke into a smile, but stayed silent.

It was left to Sir James's other partner in this deal, Mr Jacob Rothschild, to offer verbal support. Unlike the intense and fierce-eyed Goldsmith, Mr Rothschild was clearly a man with a conscience, and fretted about short-termism. "I wish there was a better method," he

confessed.

But there was a gap in the system, and Hoylake was determined to fill it.

"Good companies operated on sound principles don't get taken over," he claimed, going on to elaborate on the faults of BAT Industries. The group's acquisition policy, for instance, had been "quite batty" though it was not clear whether or not this was intended to be a pun.

One of the worst examples of excess, he alleged, was the client entertainment centre in Brazil. "Some of us have a certain puritanical side to us," insisted the straightlaced Mr Rothschild.

But by this time he was clearly testing the unity of the Hoylake consortium. Up sprang a protesting Sir James Goldsmith. "I'm looking forward to going to see it," he said. "Unlike Jacob I'm not a puritan."

The professorial mask had slipped. Jimmy Goldsmith, the playboy and darling of the press, was back after all.

Hoylake's costs will total £165m if bid is successful

By Vanessa Houlder

IF HOYLAKES' £18m bid for BAT Industries succeeds, the costs involved will total about £165m, according to the offer document published yesterday.

And this takes no account of value added tax, much less of defence costs to be incurred by BAT itself.

If the figure appears comparatively modest for a bid of this size, it may be greatly increased if Hoylake is forced to alter the terms of its deal. Substantial underwriting fees might be incurred if Hoylake was forced to offer cash as part of the deal.

In the only other bid of a comparable size, the £24.7bn takeover of RJR Nabisco by Kohlberg Kravis Roberts last year, bankers and financial advisers of one sort or another picked up an estimated \$1m in fees, interest and stock

shares. Hambros will receive \$5m. Hoylake will also pay the costs of the advisers and indemnify them against any losses or damages they incur in connection with the bid.

The offer document does not give details of its £165m bill which includes the costs of bankers, brokers, lawyers, accountants as well as the expenses involved in the issuing of Anglo shares and warrants.

Drexel Burnham also stands to win substantial fees if Hoylake is required to raise funds to finance the acquisition. The offer document says it has been retained for its customary fees, subject to agreement. In the KKR bid for Nabisco, Drexel Burnham was awarded at least \$227m for advising the firm and arranging a bridging loan.

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NFC ahead and on target to reach £89m

By Clare Pearson

NFC, the largely employee-owned transport and distribution group, performed in line with expectations against a background of depressed conditions in a number of its markets during the third quarter of the year.

Pre-tax profits after profit sharing in the three months to June 10 showed a 33 per cent improvement, bringing the 36-week total to £53.5m, up from £38.5m.

The directors, who have maintained the practice of providing a "best view" of the 12-month profits result even after the company's Stock Exchange listing in February, continue to expect NFC to make £59m, a figure they increased by £2m at the interim stage.

A turnover increase of 27 per cent to £992.4m (£781.5m) would have been only 13 per cent but for the contribution from Allied Van Lines, the removals business bought in February 1988, and so included in both this and last year's figures for the first time in the third quarter.

NFC said the economic slow-down in the UK hit into the results, particularly of Pickford's Travel, the package holidays business. Pickford's home removals and the truck rental operations were also affected. Meanwhile, lower occupancy levels and storage rates meant results of Tempco Union, the cold storage business, were well below those of last year.

Helped by two new centres for Tesco, the supermarket chain, started up in the third quarter, distribution activities, recently named Excel Logistics, made £18.8m (£16.3m). Home Services made £13.4m (£10.7m) as Allied Van Lines was brought in.

Property substantially increased its contribution to £14m (£4.7m). Pickford's Travel slumped into losses of £4.4m, against a profit of £100,000.

Profit sharing was maintained at 15 per cent of pre-tax profits. Earnings per share totalled 10.8p (7.7p).

A third dividend of 1.35p, making 3.8p for the year so far, is declared, a 44 per cent increase.

UK COMPANY NEWS

Charterhouse in Ward White talks

By Philip Coggan

CHARTERHOUSE BANK said yesterday that it was one of the parties offering buy-out proposals to the board of Ward White, the retail group which is trying to fend off a \$900m bid from Boots.

Mr Sandy Muirhead, head of UK corporate finance at Charterhouse, said that "conversations had been fairly informal" and that "no firm proposals have been agreed."

The current proposals involve Charterhouse as sole adviser but it is possible that

any deal could include some of the other parties which have approached Ward White. Those parties are believed to include Shearson Lehman.

On Monday, Ward White denied that Bankers Trust, the US banking group, was among the parties involved. Mr Graham Walsh, a Bankers Trust employee, is a non-executive director of Ward White.

Any buy-out deal is expected to contain the usual mix of equity, mezzanine debt and senior debt. However, detailed

proposals are not expected to emerge till next week.

Yesterday, Boots issued the document for its increased and final offer of 45p per share. The circular entitled "Ward White: pedalling hard - going nowhere?" attacks the £33m interim profits forecast made by Ward White, saying that it gives no indication of like-for-like growth in the underlying businesses and depends on a low tax charge for earnings growth.

The document also criticises

the performance of Ward White's subsidiaries saying that it has underinvested in Payless, the DIY chain, which now has "an uncomfortable position in an increasingly competitive DIY market."

Boots also argues that Ward White has been slow to reorganise A G Stanley, the decorative products chain and that the market position of Halfords, the bicycles and auto parts stores group, is not as strong as Ward White has suggested.

Yorkshire Radio to join USM

By Vanessa Houlder

YORKSHIRE Radio Network, an independent radio service operator, is joining the USM in Singapore. It also provides broadcasting engineering services to the communications industry.

Pannure Gordon is placing 2.1m shares at 200p each, in order to raise about £3.6m for the company. Dealings are expected to start on August 14.

Yorkshire operates four independent commercial radio ser-

vices in the Yorkshire and Humberside area as well as a cable broadcasting service in Singapore. It also provides broadcasting engineering services to the communications industry.

It is forecasting pre-tax profits of £1.3m for the year to September 30, compared with \$989,000 in the previous year.

The placing will be used to fund the purchase of the Singa-

pore Group and provide working capital for future expansion.

The flotation, which follows that of Invicta Sound, a Kent-based independent radio company, last month, marks a period of rapid growth of the quoted radio sector. The recent growth in advertising revenues and the prospect of deregulation have attracted companies to the market.

Newgateway throws in the towel

By Nikhil Tait

NEWGATEWAY, the bid vehicle for Wasserstein Perella and Great Atlantic and Pacific Tea Company, yesterday allowed its £2bn-plus offer for Gateway, the UK food retailer, to lapse. It currently owns about 40 per cent of the shares.

The battle for control of Gateway has already resulted in victory for Isosceles, a newly formed UK group which won over 50 per cent of the shares and last month declared its bid unconditional.

Newgateway said that it had originally kept its own offer open so that the possibility of Isosceles accepting its bid was not ruled out.

However, Isosceles quickly made it clear that, since it had secured victory, it had no such intention, and the Americans' advisers gave this as the reason for lapsing the bid yesterday. Newgateway, in the meantime, has also been free to acquire additional shares.

Talks between Newgateway and Isosceles are thought to have commenced with a view to resolving the current complex situation.

First Tech boosts ex-director's pay-off

By John Thornhill

THE ANNUAL report of First Technology, the security and safety systems company, reveals that Mr Samuel Alderson, one of its former directors,

received total payments of £277,000 following his resignation in January.

His departure proved to be a matter of some controversy earlier this year during First Technology's fiercely fought, and ultimately unsuccessful bid, for Ricardo, the engine design company, in its defence document urging its shareholders

to reject First Technology's final offer. Ricardo commented on Mr Alderson's departure and attracted a libel writ for its troubles.

Mr Alderson joined First Technology in February 1988 when it bought an 88 per cent stake in its US Humanetics company, which was involved in the business of making crash dummies and "phantoms" (human skeletons encased in synthetic materials which are used to help calibrate hospital radiological

equipment).

In January, Mr Alderson resigned as chairman of Humanetics and as a director of First Technology. He received £111,000 for the early termination of his three-year contract. But he also received £166,000 not to compete with Humanetics crash dummy business.

Mr Alderson has retained the phantoms side of the business and First Technology has agreed not to compete with him in this market.

Glynwed expands US plastics side

By Philip Coggan

GLYNWED International, the Midlands-based industrial group, has bought Harrington Industrial Plastics, a Californian-based plastic piping distributor, for \$15.5m (£9.7m).

Glynwed has been expanding its plastics interests throughout the 1980s and the plastics

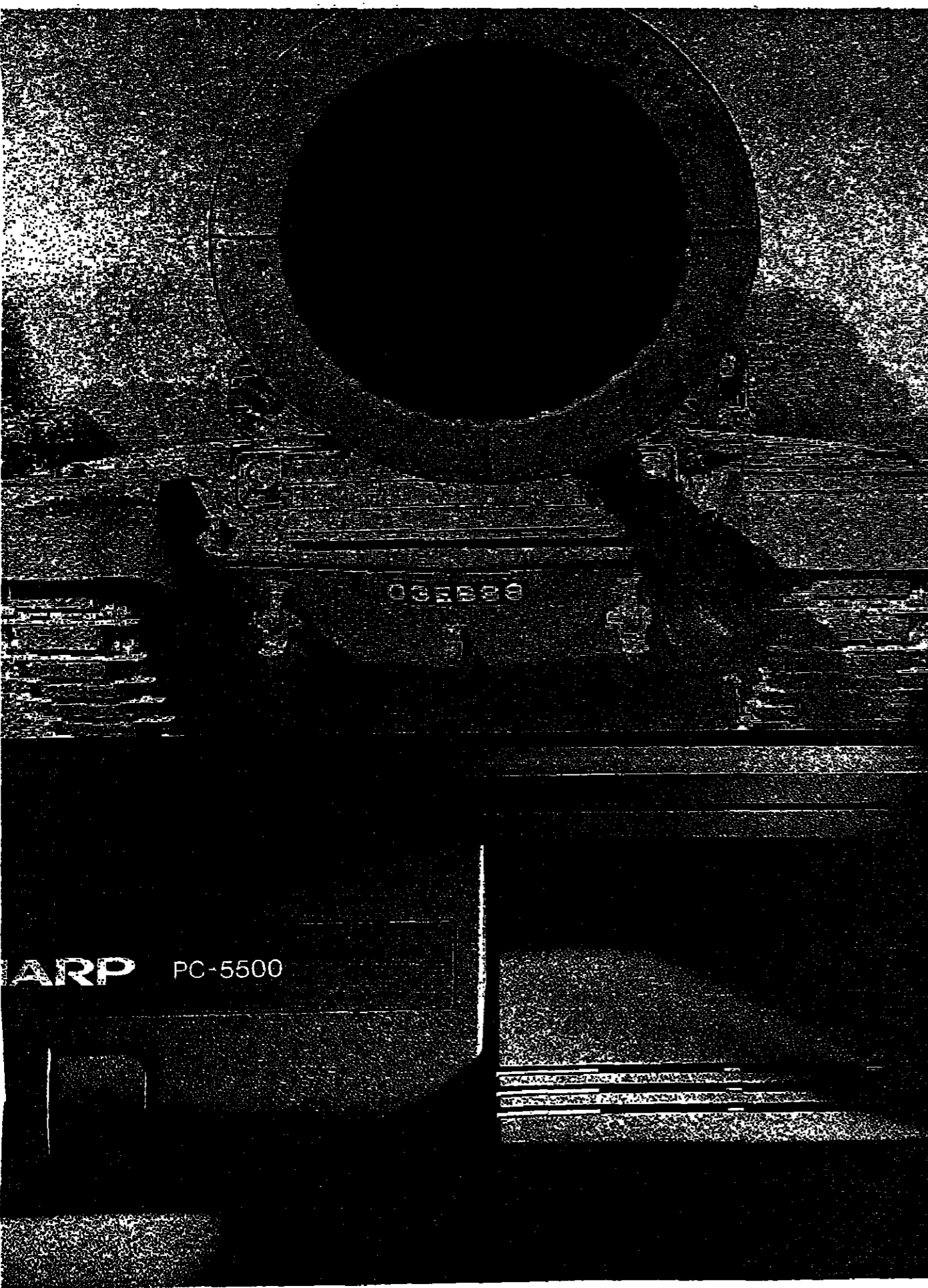
division now represents around 12 per cent of turnover. Harrington, which made pre-tax profits of \$4m on sales of \$47m in 1988, is a major supplier to the semi-conductor industry. Although Glynwed already has a US plastics distribution operation in Chicago-based Enfield, Harrington will provide the base for expansion in the north American market. Around 12 per cent of Glynwed's turnover is generated in the US. Glynwed is paying an initial \$8.25m cash, with the balance due in one year without interest.

Practical Investment

Practical Investment Company had a net asset value of 113.71p at May 31 1989 against 104.32p a year earlier.

Net revenue for the year fell from \$982,000 to \$743,000 for earnings per share of 3.72p (4.92p).

A second interim dividend of 1.2p (1p) and a special dividend of 1.01p (2.3p) is being paid.



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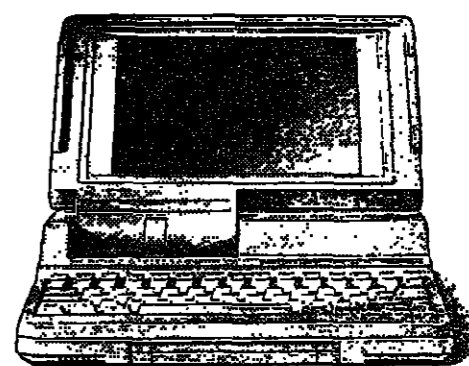
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West Sussex RH10 1UX

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London EC2Y 9DS

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London EC4N 8AT

9th August, 1989

This advertisement is issued in compliance with the Regulations of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary Shares of 15p each in Yorkshire Radio Network plc in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing. It is expected that dealings will commence on 14th August, 1989.



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Yorkshire Radio Network plc

P.O. Box 194

Harthead

Sheffield S1 1GP

Panmure Gordon & Co. Limited
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9th August, 1989

INTERNATIONAL FUND MANAGEMENT

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FINANCIAL TIMES
EUROPE & BUSINESS MARKETS

UK COMPANY NEWS

Prime target for a break-in

Richard Tomkins on Cooper's attractions for Newman Tonks

IT COULD well turn out to be a classic case of the bitter being bit. Frederick Cooper, a mini-conglomerate with a three-year record of breathless takeover activity, is suddenly finding out what it is like to have someone else sitting on 4.9 per cent of its shares.

Newman Tonks, the architectural hardware group which this week emerged as Cooper's unwelcome suitor, has been trying to talk down the possibility of a hostile bid. But few will be surprised if that is what emerges — if not from Tonks then from another quarter now Cooper has been thrown into play.

Cooper's attraction lies not in any BAT-inspired notions of its break-up value, but in the especial lure of one of the five operating divisions put together by chairman Mr Eddie Kirk: security and architectural hardware.

This division, comprising six main companies making door locks under the Gibbons brand and door furniture such as handles, knobs and letter boxes, serves a market that has seen rapid growth in the last few years.

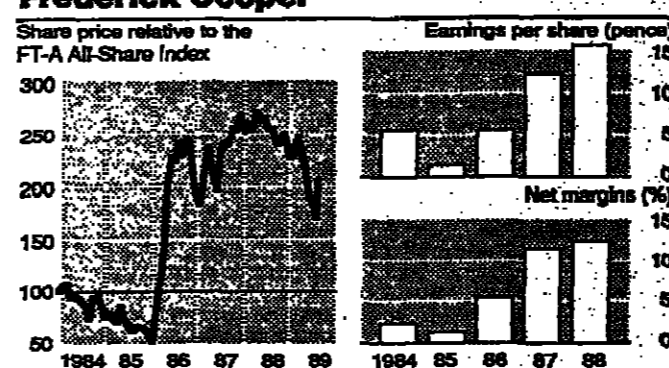
Much of this has to do with a surge in demand for security products prompted by rising concern over crime rates. Another reason has been the increasing expenditure on refurbishment by householders and local authorities. But there have also been changes in the way hardware products are sold.

In the domestic market locks and accompanying hardware used to be distributed through locksmiths and ironmongers, and were usually fitted solely by the trade. Now, they are stocked high and attractively packaged in DIY superstores, and are fitted by householders as well as builders.

In the industrial and commercial market, meanwhile, locks and hardware are now rarely sold as separate items, but come as part of a package of ironmongery supplied by a single manufacturer. The need for a comprehensive product range is therefore growing in importance. The hardware market offers scope for attractive margins because few companies are yet in a position to exploit the emergent trends.

Alongside Cooper, itself still

Frederick Cooper



mainly confined to the domestic end, the best known names are Newman Tonks, Ralco Chubb, and Yale and Valor. But others are keen to muscle in.

Newman Tonks, under chief executive Mr Doug Rogers, has already achieved a dominant position at the commercial end of the architectural hardware market, partly through acquisitions, and Cooper's hardware business would help it consolidate its position in the domestic sphere. But there is another, less obvious, reason why a bid could make sense.

The other most prominent of Cooper's divisions is electrical products, comprising five principal subsidiaries making or supplying cut-to-length cables and adaptors for the DIY shed, components for computers, wiring harnesses for cars, and switches for televisions and telephones.

While these activities have little in common with security products and hardware, the trend in locking systems — particularly on the commercial and industrial side — is towards increasingly complex electro-mechanical and electronic packages.

Newman Tonks has so far little expertise in electronics beyond its involvement in time-switches for central heating systems, and it could argue that Cooper's electrical products division would bring relevant skills into the group.

Mr Kirk, who is well regarded in the City for his achievements at Frederick Cooper, has made it emphatically plain that he would prefer to keep his company independent. Recent events have, nonetheless, left it looking vul-

nerable. When Mr Kirk, the 41-year-old former managing director of Amalgamated Metal Corporation's industrial division, took over as Cooper's chairman in February 1986, the company was ailing under a mountain of debt.

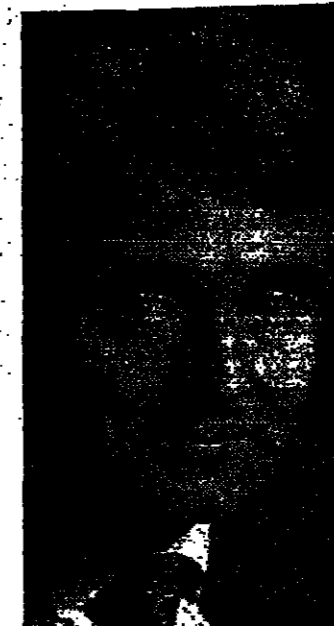
He set about disposing of unprofitable subsidiaries and launched into an astonishing spree of acquisitions — mainly for paper — that averaged one every six weeks over the next two and a half years.

Profits grew rapidly — to £8.7m pre-tax in the year to July 1988 — and Kirk countered criticisms of the frequent share issues by repeating a commitment to achieving earnings per share growth above the UK average.

In the last few months, however, the promise has turned sour. Lorin Electronics, Cooper's most ambitious acquisition to date, proved to be far less profitable than its accounts suggested when it was bought for £15.1m in June 1988, while Park Rubber, another big acquisition in 1986, has suffered a sharp downturn in demand for the seals it supplies to the double glazing industry.

Cooper's own brokers, UBS Phillips & Drew, have consequently downgraded their profits forecast to £8.5m for the year to July 1989, implying earnings growth of virtually nil.

This does not mean Cooper will come cheap. Mr Kirk professes himself pleased with Lorin's recent performance and says it is growing strongly, albeit from a lower base than expected; and the downturn in demand for double-glazing



Eddie Kirk: would prefer Cooper to remain independent

products is dismissed as a hiccup in an upward trend. Analysts expect Cooper's profits and earnings growth to bounce back this year.

Newman Tonks, meanwhile, is likely to tread carefully if it comes to a bid. It is not so very long since last year's embarrassing debacle when Hepworth Ceramic swiped Henderson, the door maker, from under its nose after Newman Tonks thought it had secured the acquisition through an agreed takeover.

A few months later Tonks also paid a very fancy £19.2m to snap up J. Legge, Britain's biggest remaining independent lockmaker, and it is still digesting a bout of more recent acquisitions in Britain and overseas — most recently that of the USM-quoted Laidlaw Thomson, a hardware distributor which Cooper had also hoped to grasp.

Cooper, though a desirable addition for Newman Tonks, is not an essential one. It would probably still like to bid, and has been careful to leave its options open; but even should it call a truce, Mr Kirk will face a tense few months while the market waits to see what other interest this activity flushes out.

BTS improves but incurs sizeable revamp costs

By John Thornhill

BTS GROUP, the USM-quoted remoulded tyres group which is being revamped by new management into an office furniture business, announced pre-tax profits of £214,000 for the year to March 31 1989.

The outcome compared with the previous year's £285,000 — although this figure was affected by a series of exceptional factors.

Last year saw great changes at BTS. In November 1988, a new management team took over with Mr Michael Scorey becoming chairman and Mr James Heath chief executive. They rationalised BTS's businesses and closed down the battery division, accounting for much of a £3.47m extraordinary charge. In March, they sold Portway Tool and Gauge, BTS's specialised engineering subsidiary, to its management for £600,000.

The remaining tyre remoulding division has been substantially reorganised, leading, the

company claimed, to a considerable improvement in efficiency despite fierce market conditions.

"We have done 75 per cent of the work in terms of cost cutting. The obvious things have been done and now the hard work starts," Mr Heath said.

The second stage of the management's strategy has been to diversify into the office equipment and supplies market. To this end, BTS bought Hilcom in March for up to £5m and Micro Marketing in May for up to £2.5m.

Further expansion and acquisitions are planned in line with BTS's stated intention of becoming the UK's leading provider of office services and products to the corporate market.

Turnover fell from £11.74m to £10.78m. Earnings per share grew to 4.15p (1.57p) but the dividend is cut to a single 0.5p (total 4.25p). No interim dividend was paid.

Resort Hotels £3.72m purchase

By Edward Sussman

Two of the City's better known watering holes, Salters Court restaurant and the Pavilion End pub, are being purchased by Resort Hotels for up to £3.72m.

Included in Resorts' purchase of Lioncourt is an inn reputed to be the oldest in England — Ye Olde Bell Hotel in Hurley, Berkshire. It is said to date from 1195.

Resort said Lioncourt's assets had an open market value — excluding antique furniture, paintings and prints —

of not less than £5.08m, with a 1987 book value for freehold and leasehold interests of £3.87m, with debts exceeding £1m. In the year to September 30 it had pre-tax profits of £79,000 on sales of £2.2m.

Resort claimed irrevocable acceptances from 65.2 per cent of Lioncourt's shareholders. It is offering 15.9 shares for each Lioncourt share, with a cash alternative of 250p per share.

At yesterday's price of 20p, up 1/2p, the share exchange option is worth about £20p per share.

Textured Jersey shares rise 30p on news of bid approach

By Alice Rawsthorn

SHARES of Textured Jersey, the textile group, yesterday rose 30p to 170p on the announcement that it had received an approach which may lead to an offer for the company.

Textured Jersey specialises in the production of knitted fabrics and is one of the chief suppliers to Marks and Spencer. Its share price, which has performed poorly in recent months, rose sharply just over a week ago.

Yesterday the board issued a statement saying that it had received a potential takeover approach. Mr Henry Knobil, chairman and managing direc-

tor, said he could not add to the announcement but confirmed that negotiations were underway with the prospective bidder.

Charterhall, the investment vehicle headed by Mr Russell Goward, the Australian financier, was mooted as a likely candidate. Charterhall took over Corah, one of the largest players in the knitting industry, earlier this year with the intention of using it as a base for expansion within textiles.

Textured Jersey is regarded as one of the most efficient

companies in the knitting industry. Yet in the past year it, like the rest of the industry, has been plunged into intensely competitive conditions due to a rapid rise in imports and sluggish consumer spending.

A few weeks ago the company announced a fall in pre-tax profits from £1.33m to £970,000 on turnover of £21.72m for the year to April 30. It was forced to close its Leicester knitting operations last year. Mr Knobil said it was continuing to cut costs. Last week it announced 25 redundancies at a knitting company in Corby.

LWT offers payment choice in restructure

By John Riddling

LWT HOLDINGS, the weekend television contractor for the London region, will offer shareholders loan notes and maintain debt alternatives to cash payment as part of its proposed capital restructuring.

The details of the restructuring, which is intended to improve efficiency and ensure management loyalty in the run up to the reallocation of ITV franchises in 1992, have not yet been revealed. But a number of institutional investors have expressed concern at some of the initial proposals.

One problem has centred on the proposal to pay investors a "cash sum in excess of 150p per share" in return for accepting an increase in management's equity stake in the company.

Some of LWT's investors have complained that such a payment would increase their exposure to capital gains tax and that they would rather be paid through different instruments.

However, Mr Don Webber, investments manager at Pearl Assurance, a major shareholder in LWT, said: "I don't see how a loan note alternative helps."

"It is just a device for deferring capital gains. We want to invest in equity."

Other criticism has focused on the fact that the proposed scheme involves borrowing in the region of £100m and that the management may be paying too little for its increased stake in the company.

Mr Christopher Bland, LWT's chairman, is currently discussing the scheme with institutions. He said yesterday that "at this stage the scheme is still fairly flexible" and that "the scheme seems like a good idea. But its precise value to shareholders cannot be worked out until we know the details."

Dares Estates shows modest growth midway

Dares Estates, the former property trader which recently decided to adopt a longer-term view of its investments, unveiled a taxable profit of £5.58m in the first half of 1989.

The outcome compared with profits of £5.35m in the corresponding six months and with £12.57m for the full 1988 year.

The board said it considered the net asset value of the group to be in excess of 40p per share, against yesterday's closing price of 33p.

Mr Ervin Landau, chairman, said the success of the decision to seek rental and long term capital growth was demonstrated by rental income of £3.39m (£1.58m) for the period. A number of successful rental reviews, lease purchases and new lettings contributed to the increased rental income. The firm, he added, saw Dares benefit from reviews falling due over the next two years.

Property development activities were progressing well, Mr Landau said, with full planning consents granted on developments in Victoria, London; Bracknell, Reading, and Wokingham, all in Berkshire, and Wokingham in Surrey. The Hughes subsidiary, acquired last summer, contributed to profits through the disposal of the remainder of the Patchway Bristol site and its office development in Westminster.

After tax of £1.95m (£1.43m) and minorities, £14,000 (£184,000), earnings per 5p share stood at 1.35p (1.77p) on a fully diluted basis. The interim dividend is raised 0.2p to 0.5p.

Reedpack

Reedpack, the paper, packaging and office supplies group formed in July 1988 by a £600.6m management buy-out from Reed International, is still seeking respectability. Shareholders were told at the company's first annual meeting.

Sir Christopher Benson, chairman, said first quarter trading profits were £20.5m, up by some 30 per cent over the comparative period. He said the group would not be immune to a weakening in the UK economy, though he was confident the company would ride out any storm.

Mr Peter Williams, chief executive, said the group planned to appoint a merchant bank soon to handle the company's flotation. This was expected to take place next year.

Systems Reliability

Systems Reliability, the telephone systems and computer dealing company, has acquired GST Computer Systems and Ostris for a total consideration of £300,000. GST is a Cambridge-based computer dealer while Ostris is a sales and marketing group.

Leveraged Capital Holdings N.V.

The Quarterly Report as of 31st March 1989 has been published and may be obtained from:

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UK COMPANY NEWS

Further asset disposals give boost to Goward's investment company
Charterhall surges to £13.1m

By Ray Bashford

CHARTERHALL, the investment company headed by Mr Russell Goward, the Australian businessman, boosted pre-tax profits from £3.4m to £13.1m during the year to June 30 1989 aided by another bout of asset disposals.

The company's principal operating centres contributed £10.1m, split between footwear retailing, through the Tandem chain (£6.1m), US oil interests (£2.4m) and clothing manufacturing (£1.6m).

The Tandem chain returned a turnover of £68m for 11.5 months and Cornish, the clothing manufacturer acquired through an agreed bid last December for £27.2m, made a £26m contribution to a group turnover of £104.3m compared with £28.8m in the previous 12 months.

Earnings per share rose 17 per cent from 2.7p to 3.15p. The results include an item for "other income" totalling \$8.5m (£6.9m), derived from a round of asset sales which has become standard practice for

the company since Mr Goward acquired the run-down oil exploration group in July 1986. The other income includes £4.2m from the disposal of remaining UK oil interests, £2.6 from property sales from within the Tandem chain and £1.6m from the partial sale of the North American petroleum business.

There is also an exceptional item of £1.5m from the disposal of properties acquired through the takeover of the Lennards footwear retailing chain.

Mr Goward has a further \$50m worth of assets on the block for sale, with the intention of clearing the way to make bolt-on acquisitions in the clothing manufacturing business.

The Australian made an important step in tying up the group's strategic investment portfolio last week when he agreed to take a 15 per cent stake in Blacks Leisure in return for the sale of 29.9 per cent holding in A Goldberg which formed the basis for a

hostile all-paper bid for the Glasgow-based fashion retailer. From among the major assets up for sale, Charterhall hopes to realise \$3m from additional property sales in the UK and \$1m from the disposal of remaining North American oil interests.

The group's interest bill has leapt from £1.7m to £6.3 with much of this relating to holding charges associated with several large stakes held by Charterhall in listed companies.

Dividends and associated company profits contributed £1.2m to the result, up from \$700,000 last time. The recommended final dividend is 1.1p (1p), with a one-for-15 scrip alternative.

COMMENT
Creative fund managers need not waste their time examining Charterhall as a possible home for their investment funds unless of course they are simply curious about Mr Goward's unorthodox

approach to accounting. The Australian claims he is winning increasing favour among institutions which control about 15 per cent of the capital. However, it will be some time before the company loses its highly speculative rating. While the core businesses are expanding, the group performance remains pegged to Mr Goward's ability to realise profits on asset disposals and include them as part of the on-going business. These profits should continue to flow in the current half but where does the Australian turn when these are exhausted? City analysts are not sure about the answer to this question but believe there is mileage in the shares while the irrepressible Mr Goward is at the wheel. Profit forecasts for the current year move in a narrow band up to £20m which places the shares on a p/e of 6, adding to their speculative interest for the more daring.

MSCC hits £3.67m but warns on dock strike

Manchester Ship Canal Company, which lost its independence in 1986 after a bitter takeover battle with Mr John Whittaker, the property developer, increased profits from £1.8m to £3.67m pre-tax for the opening six months of 1989.

Turnover was little changed at £10.45m (£10.51m) but at the operating level, profits were ahead by £570,000 at £1.33m. Pre-tax returns were struck after deducting voluntary severance payments of £2.12m (£0.57m) and adding in a £2.24m (nil) surplus on the sale of land. Earnings worked through at £4.8p (£2.5p).

The company said it was satisfied that it was taking all necessary action to maintain an effective large UK port and to maximise net asset growth by phased development of properties.

Although much progress had already been achieved in the port, the company said it would continue to modernise and reduce costs. It warned, however, that trading results for the second half would be affected by the recent three week dock strike.

Huntingdon ahead

Improved margins helped Huntingdon International Holdings, the biological and engineering analysis group, lift taxable profits to £4.2m in the third quarter to end-June 1989.

The improvement from the £2.65m reported in the same period last year, came on revenue of £21.4m (£15.85m). Directors attributed the higher margins to cost containment programmes and restructuring of acquisitions.

Earnings per 5p share expanded from 2.4p to 3.6p.

Edinburgh Oil

Edinburgh Oil & Gas reported an interim taxable loss of £32,000, against profits last time of £36,000. Turnover for the USM-quoted company in the six months to the end of June was down from £44,000 to £22,000.

TR Australia policy change attacked by main shareholder

By Nikki Tait

TR AUSTRALIA Investment Trust, a £45m fund managed by Touche Remnant, on Monday unveiled plans to change its investment policy to that of specialisation in higher-yielding Far Eastern stocks.

The switch would be accompanied by the introduction of a series of possible wind-up dates for the trust, and a bonus issue of warrants to existing shareholders, plus a capitalisation issue.

Warrant issues and the introduction of wind-up dates are fairly common devices used to reduce the traditional discount suffered by investment trusts.

However, the scheme immediately received an extremely unenthusiastic response from River Plate and General, the group's largest shareholder. River Plate, an investment trust in the Jupiter Tarbutt stable, holds 29.9 per cent of TR Australia's votes and said it saw little purpose in the proposals being put forward and criticised the "abysmal investment record" of the trust.

River Plate added that it had been sounded out about the scheme in advance, and had

made clear that it was not impressed. No final decision had been made to oppose the plan, but if it was taken River Plate promised to come up with an alternative suggestion.

The scheme suggested by TR Australia only requires the support of a straight majority of shareholders, and an EGM will be held shortly, probably at the end of August. However, there are some other large institutional holders in the trust - including the Prudential with 12.7 per cent - who are not always supportive of the investment trust movement.

The TR Australia scheme suggests that perhaps 20-35 per cent of the portfolio would remain in Australia, with another 20 per cent in Hong Kong. Another 15 per cent might go into Thailand, around 10 per cent in Japan and Singapore, and 7.5 per cent in Malaysia.

A dividend of not less than 8p - or 4p after the one for two capitalisation - would be paid in the year to August 1990, giving a gross yield of 5.8 per cent on a price of 138p, up 1p yesterday. Dividends would

be payable quarterly after April 2 1990.

Shareholders, meanwhile, would get three warrants for every 10 existing shares held. They could also vote to wind the company up in 1996, or every five years thereafter.

TR Australia argues that an alternative plan might face added costs in realising the entire portfolio and encounter management termination fees. The annual fee is 0.81 per cent, on a two-year contract.

The reorganisation plan introduces an added complication in that the capitalisation issue does not apply to the voting preference shares and thus would push the River Plate stake - which has been built up over the past year - to over the 30 per cent level.

If River Plate was supportive of the scheme, it could seek Takeover Panel approval so that it was not required to bid. Alternatively, it could reduce its stake below 30 per cent; hope that the scheme is voted down; or mount its own proposals.

The net asset value of TR Australia was put at 140.4p per share on August 1.

TR City of London assets rise

Net asset value at TR City of London Trust at June 30 was 103.72p, after deducting prior charges at effective redemption values, an increase of 18 per cent on the 87.73p of a year earlier.

Net profits for the year to the end of June were £5.57m (£5.24m) for earnings per deferred stock unit of 3.52p (£2.66p). A fourth interim of 1.05p has been declared making a total for the year of 3.4p

Olivers for sale

Olivers, the chain of branded family coffee shop restaurants and bakeries which is part of Mecca Leisure Group, is being offered for sale. Olivers operates from 24 locations throughout the UK, mainly in major shopping areas.

Mecca said Olivers did not fit in with its development route of branded restaurants where it was concentrating on the expansion of Sweeney Todd's and Prima Pasta.

Capital & Counties confident after rise to £23.8m

Pre-tax profits from Capital & Counties, the international property group, rose 15.5 per cent in the first half of 1989, and the directors anticipated that the "steady performance" would continue over the second half.

The group, over 60 per cent owned by Transatlantic Holdings of South Africa, reported a first half profit of £23.8m (£20.6m) and lifted the interim dividend by 1p to 5.25p. Earnings came to 9.6p (8.8p).

Without diverting attention from the core income earning assets, directors' energy was directed towards the development programme, particularly the three major shopping centres, Thurrock Lakeside, The Glades, Bromley, and The Harlequin Centre, Watford, costing £500m in total.

Good progress was being made, they reported. The four major retailers at Thurrock -

Marks and Spencer, Debenhams, House of Fraser and Lewis's - were signed up and in total more than half the retail floor space was committed. Construction was on schedule for opening in the autumn of 1990.

In the half year property investment accounted for £18m (£14.6m) and trading £5.2m (£3.6m) of operating income. Net interest charges were cut to £2m (£4.7m).

M&AS doubled to £396,000

In a confident interim statement, directors of Mining & Allied Supplies, the West Midlands-based mechanical handling engineers and equipment distributor, unveiled pre-tax profits up from £185,000 to £396,000.

The advance over the period - covering the six months to end-June - came on turnover ahead 72 per cent to £9.97m (£5.79m). Trading throughout the group was continuing at improved levels, the company said, and the outlook was "extremely encouraging".

After tax of £188,000 (£75,000) earnings per 12.5p share worked through at 0.8p, up from an adjusted 0.4p last time.

Assets up at CIT

Continental & Industrial Trust, a South African-controlled investment trust, announced a net asset value of 931.2p per share at end-June 1989 compared with 910.5p six months earlier. Net revenue for the interim period rose from £4.4m to £4.68m. The interim dividend is maintained at 20p.

US buy lifts Life Sciences

By John Thornhill

LIFE SCIENCES International, the manufacturer of medical diagnostics equipment, lifted pre-tax profits by 47 per cent from £2.52m to £3.7m in the half year to June 30. The advance was boosted by the first full contribution from Savant, the US vacuum centrifuge manufacturer, bought last November for £13.6m.

Savant's precise contribution was not revealed, but Mr Christopher Bland, chairman, said he was delighted by its performance.

Forma Scientific, the US

micro-biological equipment manufacturer purchased in 1987, was now selling Savant's product lines in the US and overseas and this produced considerable savings. Two other US businesses, Whale and E-C, were also said to have performed well. In all, Life Sciences' US interests contribute over 80 per cent of operating profits.

However, Image Recognition Systems, based in the UK, made a small loss during the period.

Mr Bland, who has recently

been in the limelight as chairman of LWT, the ITV contractor, said he expected Life Sciences to exceed its ambitious goals for growth in profits, earnings per share, and dividends. The company sets itself an annual target of a 20 per cent compound growth rate in earnings per share. "We should beat the hell out of that this year," he said.

Turnover rose to £29.55m (£19.62m). An interim dividend of 0.8p (0.5p) is declared, payable from earnings per share ahead 89 per cent to 2.5p (1.8p).

Sharp growth at Trencherwood

THE POLICY of building up a broadly based group appeared to be paying off at Trencherwood, a USM-quoted property developer, as growth in its commercial side clearly compensated for the slowdown in the residential market.

Commercial operations contributed £4.1m to pre-tax profits, which rose to £9.13m from

£5.04m in the half year to April 30. Turnover increased to £31.8m (£22.73m).

Included in the outcome was a £1.32m surplus on the sale of investment property, and that offset a rise in interest charges.

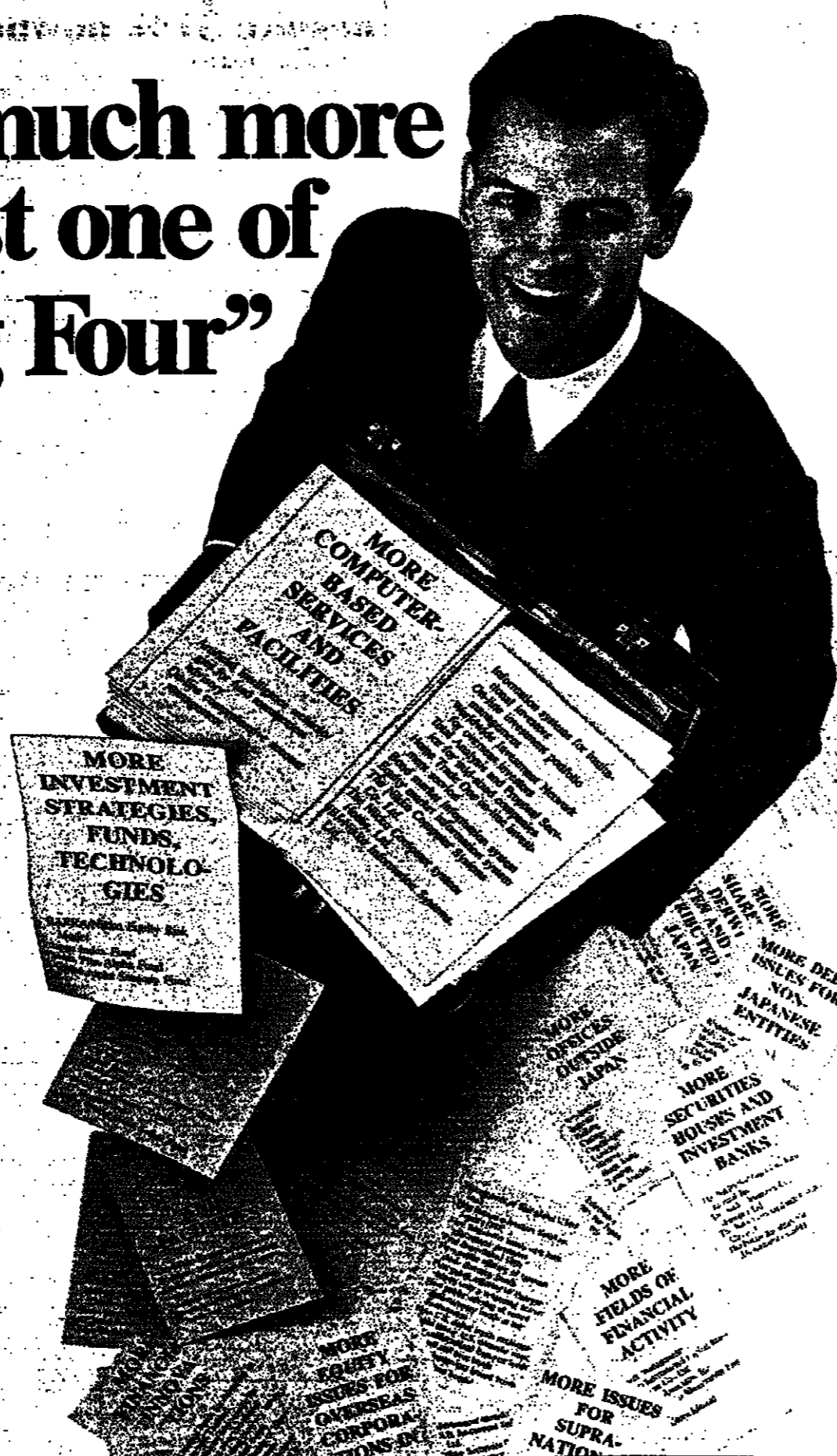
Mr John Norgate, chairman, said in the past two months the residential market has seen some activity. But taking

account of a sluggish market for the whole of the financial year, he did not expect the number of units sold to exceed the 1988 total.

In commercial, the emphasis was in the industrial and business park sector.

Earnings were 24.8p (17.01p) and the interim dividend is raised to 1.5p (1.51p).

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LONDON STOCK EXCHANGE

Shares end well below the best levels

THE ADVANCE in the UK stock market showed signs of faltering towards the close of yesterday's session when buyers refused to chase share prices boosted initially by a firm pound and a strong performance from Wall Street overnight.

Equities opened sharply higher, but the early gain of 16 FT-SE points found relatively little buying support and traders grew increasingly cautious as Wall Street made a slow start to the new session.

By the close, the FT-SE Index had slipped back to 2,348.1, a net gain on the day of 6.6 points, and a new peak for the year. However, at best the

Account Opening Dates			
First Dealings	Aug 14	Aug 14	Aug 14
Second Dealings	Aug 15	Aug 15	Aug 15
Third Dealings	Aug 16	Aug 16	Aug 16
Fourth Dealings	Aug 17	Aug 17	Aug 17
Fifth Dealings	Aug 18	Aug 18	Aug 18
Sixth Dealings	Aug 19	Aug 19	Aug 19
Seventh Dealings	Aug 20	Aug 20	Aug 20
Eighth Dealings	Aug 21	Aug 21	Aug 21
Ninth Dealings	Aug 22	Aug 22	Aug 22
Tenth Dealings	Aug 23	Aug 23	Aug 23

Index had touched 2,357.9, and some market strategists expressed disappointment that the Footsie had failed to hold above 2,350, which is regarded as a significant testing level.

The speculative excitement which has featured the market in recent weeks was fuelled by the £100m purchase of United

Biscuits' fast-food operations by Grand Metropolitan. But the formal offer for BAT Industries from the Sir James Goldsmith camp brought few new insights and the final success of the Hanson bid for Consolidated Gold Fields saga also helped to lower the temperature.

In the absence of new bid moves, recycled hints in the market of impending takeover moves were not enough to soothe some nervousness. Fund managers began to look at fundamentals again and suggestions from stockbrokers for new investment purchases met with the question: "Are you happy with the market?"

Some traders believed that equities would have opened lower yesterday had it not been for Wall Street's substantial rise. Although yesterday's session volume total reached a brisk 493.3m shares, traders were adamant that when the full data is released today by the Stock Exchange, it will confirm a slowdown in the market since last Friday when equity turnover by value jumped to £2.2bn.

Analysts were inclined to discount the effects of the sharp downward revision in domestic retail sales for June, announced on Monday. Hopes in some quarters of an early reduction in UK interest rates

are believed to be over-optimistic. "We continue to expect base rates to remain at 14 per cent (the present level) until the Spring," is the view of the economics team at Warburg Securities, and reflects a widely-held view in the City.

However, there was little significant selling yesterday by the big investment funds when share prices topped out towards the close. Substantial gains in ICI, Glaxo, Rank Organisation and similar blue chips indicated that stock is again very short at the market making houses, and this factor alone may ensure that share prices will resist any significant profit-taking.

FINANCIAL TIMES STOCK INDICES									
	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	1988
Government Secs	87.54	88.87	89.87	89.87	87.03	88.31	88.29	85.75	127.4
Fixed Interest	97.93	97.39	98.04	97.80	97.80	97.91	99.59	95.21	105.4
Ordinary Share	1982.8	1957.0	1940.8	1924.0	1923.9	1901.1	1962.3	1447.8	1902.3
Gold Mines	198.2	202.4	202.9	199.9	193.5	195.0	206.0	154.7	734.7
FT-SE 100 Share	2348.1	2341.5	2327.5	2306.3	2307.8	1882.6	2343.1	1782.8	2443.4
Ord. Div. Yield	4.18	4.17	4.21	4.25	4.34	4.32	4.34	4.34	4.34
Earning Yld (%)	9.88	9.72	9.81	9.89	9.88	11.46	11.46	11.46	11.46
P/E Ratio (Net)	12.41	12.35	12.29	12.15	12.16	10.63	10.63	10.63	10.63
SEAO Bargains (p/m)	33.020	27.803	28.073	26.564	25.955	25.442	25.442	25.442	25.442
Equity Turnover (m)	493.3	493.3	493.3	493.3	493.3	493.3	493.3	493.3	493.3
Equity Bargains	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3
Shares Traded (m)	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3
Ordinary Share Index, Hourly changes	Day's High 1971.3	Day's Low 1882.2	Day's High 1971.3	Day's Low 1882.2	Day's High 1971.3	Day's Low 1882.2	Day's High 1971.3	Day's Low 1882.2	Day's High 1971.3
Open	1982.8	1957.0	1940.8	1924.0	1923.9	1901.1	1962.3	1447.8	1902.3
FT-SE, Hourly changes	Day's High 2357.9	Day's Low 2347.7	Day's High 2357.9	Day's Low 2347.7	Day's High 2357.9	Day's Low 2347.7	Day's High 2357.9	Day's Low 2347.7	Day's High 2357.9
Open	2348.1	2341.5	2327.5	2306.3	2307.8	1882.6	2343.1	1782.8	2443.4

UB sale warmly received

Although the market took time to digest the implications of United Biscuits' (UB) sale of its fast-food chains to Grand Metropolitan for £100m, the final judgement was a positive one.

"It's very good news for UB, because it has released more capital that was employed in the business and left the group with lots of spare cash, and it's good news for Grand Met because the acquisition is crucial for Burger King's development," said Mr Sally Jones, analyst at Panmure Gordon.

The market was initially disappointed that the sale did not reach the hoped-for £200m mark, with some dealers saying that if Pizzaland, Perfect Pizza and Wimpy had been sold separately UB might have realised a greater profit. This early sentiment, and worries that UB might use the cash from the sale to finance a number of Continental acquisitions, saw the UB price slip below 54.

By mid-afternoon, however, attitudes had changed, allowing UB shares to recover all their lost ground. Analysts were impressed at how advantageous the deal was for UB in tax terms, and how much it reduced the group's gearing. The disposal also made the group a more attractive bid target, said analysts. "It could be argued," commented Kitcat & Aitken, "that UB's attractions to potential predators will be enhanced by the sale of these peripheral, mainly non-manufacturing subsidiaries."

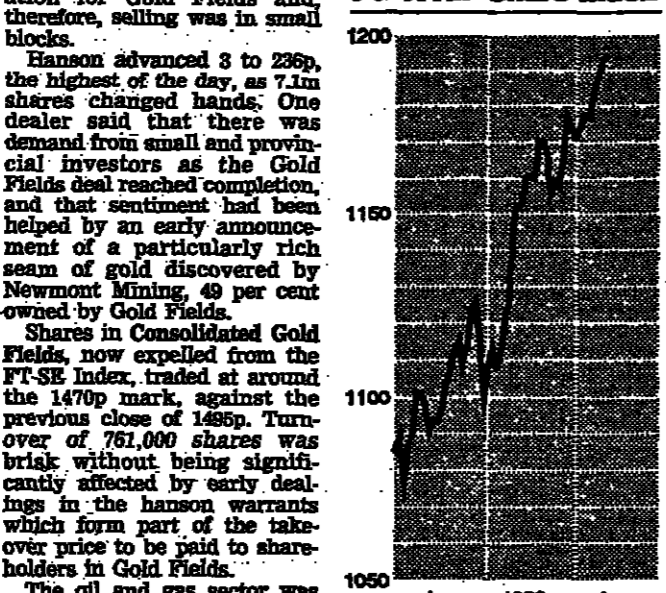
As for Grand Met, the City expects the Wimpy restaurants to be converted to Burger King, while the 171 European sites should help the group develop its Continental fast-food businesses. The pizza outlets were a less obvious fit, and could be sold, possibly to Whitbread, which already owns the Pizza Hut chain. At the close Grand Met were up a net 4 at 622p on turnover of 3.6m shares, and UB were up a penny at 405p on 3.9m.

Hanson warrants

The first day of trading in a warrant launched by Hanson, as part of the operation to take over Consolidated Gold Fields, saw brisk business, some of which spilled over into the underlying shares.

The warrant opened at 904p but slipped to 85p by the close on turnover of 12m. Each warrant gives holders the right to buy one Hanson share for £3 between February 1990 and February 1997. Dealers said that the warrant accounted for

FT-A All-Share Index



only 4 per cent of the consideration for Gold Fields and, therefore, selling was in small blocks.

Hanson advanced 3 to 236p, the highest of the day, as 7.1m shares changed hands. One dealer said that there was demand from small and provincial investors as the Gold Fields deal reached completion, and that sentiment had been helped by an early announcement of a particularly rich seam of gold discovered by Newmont Mining, 49 per cent owned by Gold Fields.

Shares in Consolidated Gold Fields, now expelled from the FT-SE Index, traded at around the 1470p mark, against the previous close of 1465p. Turnover of 761,000 shares was brisk with trading significantly affected by early dealings in the Hanson warrants which form part of the takeover price to be paid to shareholders in Gold Fields.

The oil and gas sector was unsettled by nervousness ahead of the interim results from Uthmaniyah expected this morning, and the second quarter figures from BP and Shell, due tomorrow.

Uthmaniyah initially pushed ahead to 343p on expectations that the net income figure could be as high as £70m, compared with last year's figure of £60.1m, but began to come under pressure towards the close and eventually settled a net 2 off at 337p. "Although the market range for net income is £56m to £70m, the majority are going for a figure of between £59m to £63m and some good news from North Sea Well 29/50-6," said one dealer.

BP ahead 2 1/2 to 238 1/2p on turnover of 5m shares while Shell managed a minor gain at 409p on 3.5m, leaving it at a two-year relative high against BP, according to one sector specialist.

Enterprise Oil were among the market's notable weak spots amid persistent stories that ICI is about to place its near 25 per cent stake in Enterprise in the market. The story depressed the Enterprise price to 589p, a net fall of 8p, turnover in Enterprise was 684,000 shares. There were suggestions in the market that ICI would use the proceeds of the Enterprise sale to buy RTZ's specialist chemicals business for around £500m. RTZ shares, boosted by the ICI hints, talk of institutions selling Conagold

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (p/m)	NEW LOWS (p/m)
AMERICAN (14)	AMERICAN (14)
AMERICAN (14)	AMERICAN (14)
AMERICAN (14)	AMERICAN (14)
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AMERICAN (14)	AMERICAN (14)
AMERICAN (14)	AMERICAN (14)

APPOINTMENTS

Atlantic Computers financial director

ATLANTIC COMPUTERS, part of British & Commonwealth Holdings, has appointed Mr Robert Dinsdale to its main board and executive committee, taking a senior financial role. He was group financial director of Jardine Matheson.

Mr R.C. Hartley and Mr P.A. Davis have been appointed to the main board of RADAMEC GROUP. Mr Hartley is managing director of Radamec Defence Systems, and Mr Davis is managing director, Radamec Microelectronics, and Newbury Diesel Controls.

Mr Peter Coleman and Mr Ken Patton have been appointed directors of RUSH & TOMPKINS GROUP. Mr Coleman is managing director of construction in the south, and will now be responsible for the European and Far Eastern division. Mr Patton was managing director, major business division, and now becomes managing director of Rush & Tompkins, the group's principal UK subsidiary. He is succeeded at major projects by Mr Terry

Chief executive of Mercury Callpoint

Mr A.J. Buchanan has been elected chairman of Shaw & Co, and Mr J.S. Murdoch becomes deputy chairman. Mr G.C.A. Thora has been appointed managing director, and the following are made directors: Mr A.J.H. Ford, Mr C. Lam, Mr F.K. Roberts, Mr R.E.G. Gardner, Mr R.S. Baden-Powell and Mr J.V.R. Burton. The company is a wholly-owned subsidiary of MEES & HOPE SECURITIES HOLDINGS.

JOHN LAING has appointed Mr Christopher Stephens as joint managing director. He will chair the John Laing property advisory group.

Excess Insurance Company, part of LONDON & EDINBURGH INSURANCE GROUP, has promoted Mr John Daly to director international treaty.

Mr Colin Stanley, founder and former chief executive of Pegasus, has been appointed a non-executive director of TETRA BUSINESS SYSTEMS.

Mr Ian Meyer-Warlow has been appointed managing director, LIMELIGHT FURNITURE. He was general manager of Sharps Individual Bedrooms.

Chief executive of Mercury Callpoint

Mr Derek Arnold has been appointed chief executive of MERCURY CALLPOINT, an equal partnership between Motorola, Mercury and Shayne Communications. He was director of NEC (UK).

Dr Kurt Liedtke has been appointed managing director of ROBERT BOSCH LTD, UK arm of Robert Bosch GmbH. He was director general of Robert Bosch Commercial Española. He succeeds Mr Peter Herz who has been appointed to the board of the mobile communications division of Bosch in Germany.

Mr Roger Dunn has been promoted to group managing director of MAY HOLDINGS (formerly Valetmatic). Mr Graham Round has been promoted to managing director of Valetmatic (formerly Denimwheel) and Jet Wash.

Mr David Booth has been appointed managing director of LEONARD STACE, Cheltenham, part of the Associated Paper Industries Group.

SENELCO, Slough, UK subsidiary of Sensoromatic Electronics Corporation, Florida, has appointed Mr John Meekill as managing director.

He joins from the US parent company, and succeeds Mr Ron Premurose who has moved to Singapore to start the company's Far East operation. The company makes electronic surveillance systems, particularly to protect against shoplifting.

THE PRIVATE CAPITAL GROUP, part of the Scandinavian Bank Group, has appointed Mr Robert Bayford as director of group finance. He was group financial controller of AGB Research.

Mr William P.H. Gault has been made a director of EGGAR FORRESTER.



Mr Gareth Cooper (above) has been appointed managing director of CROWN BERGER EUROPE, paints division of Williams Holdings.

Glynwed and a small bear position in the market pushed the price to 311p before it closed 3p firmer at 308p. Further consideration of recent business deals pushed Lucas through 27 to close 10 better at 703p.

Excitement over GKN's return to the FT-SE 100 meant the price opened 10 higher before profit-takers moved in ahead of figures this morning. "Any good news might already be in the price," said one marketmaker. GKN closed a penny off at 445p.

Armstrong Equipment slipped 3 to 182 as hopes of a bid receded. Possible suitors suggested have been Caparo Industries and JH Fanner.

AIM Group shed 14 to 449p as recent rises flushed out a seller of the stock, said marketmakers.

Cadbury Schweppes fluctuated with the market, rising to 44p before sellers knocked the price back to 43p, a net loss of 2 on turnover of nearly 3m shares. Hillsdown fared better, drawing strength from a string of recent brokers' recommendations to close 6 higher at 289p on turnover of 2.3m.

Trading was again brisk in Asda, which rose a penny to 201p on further bid talk. More than 7m shares changed hands during the session, while the traded options were again active, some at 55p.

Deals in Trafalgar House was stimulated by talk of channel tunnel contract and one to build a bridge in Denmark. More thoughtful marketmakers put down the strength of the stock to the fact that a single keen buyer early on had encouraged them to avoid rising on the offer. Trafalgar House closed 9 better at 391p. Anticipation that results

from Australia's BTR Nylex, which are not due to reach London until Thursday morning, would be a repeat of last week's surprising performance, boosted its parent company BTR. Some 3.4m shares changed hands as the price climbed 10 to 485p.

Profit-takers left Jefferson Smurfit 26 off at 559p after Monday's sharp rise on the back of the company's plans to raise cash in the US.

Life Sciences International almost doubled its interim profits and firmed 2 to 87p, while toiletry products maker Kingsrange slumped 10 to 38p after moving into loss for full-year figures. One dealer said that the company had been left with too much merchandise on its hands.

WFP Group posted interim profits marginally better than expectations and the price closed 6 higher at 714p. "The main feature was the more than doubled dividend," said Mr Andrew Mills, analyst at BZW.

Property group MEPC made up some of the ground recently lost to its great rival Land Securities - traditionally, the two stocks move together in similar price ranges - after broker Hoare Govett increased its net asset value (nav) estimates for MEPC and advised clients to buy the stock. Hoare has raised its nav forecast for this year by 25p to 885p and for next by 20p to 970p. Consequently, the broker rates the

shares as good value around 580p and predicts they will rise to near 600p in the next twelve months. MEPC closed up 4 at 587p and Land Securities up 2 at 600p.

Late speculative buying lifted Priest Marions 5 to 494p on hopes that Mr Simon Fussell, the ousted chairman, will lead a bid attempt on the company, while Southend Properties, a recent bid favourite, dropped 9 to 229p as speculators moved in to realise their paper profits.

Other market statistics, including FT-Archives Share Index and London Traded Options, Page 21

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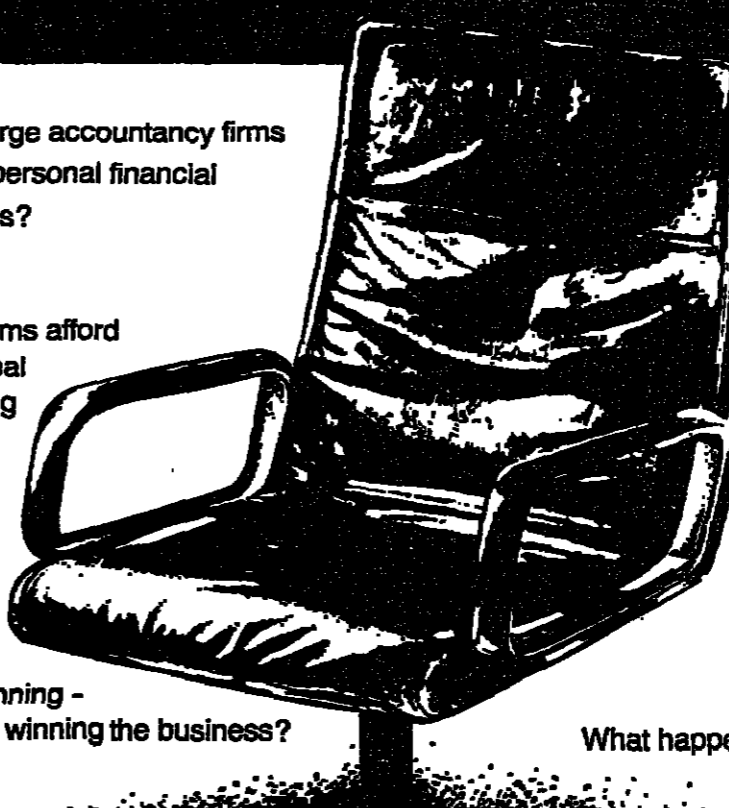
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Continued on next page

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LONDON SHARE SERVICE

BRITISH FUNDS - Contd										BRITISH FUNDS - Contd										LOANS									
1989	Low	High	Stock	Price	+/-	Yld	Int.	Vol.	Red.	1989	Low	High	Stock	Price	+/-	Yld	Int.	Vol.	Red.	1989	Low	High	Stock	Price	+/-	Yld	Int.	Vol.	Red.
"Sharks" (Lives up to Five Years)																													
99.9	99.9	99.9	12/11/1989	11.05	13.33					102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54				102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54			
99.9	99.9	99.9	12/11/1989	11.05	13.33					102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54				102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54			
99.9	99.9	99.9	12/11/1989	11.05	13.33					102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54				102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54			
99.9	99.9	99.9	12/11/1989	11.05	13.33					102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54				102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54			
99.9	99.9	99.9	12/11/1989	11.05	13.33					102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54				102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54			
99.9	99.9	99.9	12/11/1989	11.05	13.33					102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54				102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54			
99.9	99.9	99.9	12/11/1989	11.05	13.33					102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54				102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54			
99.9	99.9	99.9	12/11/1989	11.05	13.33					102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54				102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54			
99.9	99.9	99.9	12/11/1989	11.05	13.33					102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54				102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54			
99.9	99.9	99.9	12/11/1989	11.05	13.33					102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54				102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54			
99.9	99.9	99.9	12/11/1989	11.05	13.33					102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54				102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54			
99.9	99.9	99.9	12/11/1989	11.05	13.33					102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54				102.54	102.54	102.54	12/11/1989	102.54	102.54	102.54			
99.9	99.9	99.9	12/11/1989	11.05	13.33																								

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Pickford 10p. v	16	+1	60.38	3.9	3.1	10.8	
n Hldg.	150	2.5	6.1	2.2	9.3	
Hldg. 5p. . . .	74	+1/2				13.0	
ard Studios 10p	24					4	
Cometates 24p v	8					10.5	
n Leds 20p. . .	42	+2					
omas Leluan 20p	103					51.3	

Oil 10p	151	1.2		
Group 10p	85		2.75	4.3
Group	147		5.0	4.5
Emis Sp.	9			
ya Higgs Sp.	35			
ate Lehar 20p	381			
fruits	27			

NOTES

Trading classifications are indicated to the right of the stock symbol: α Alpha, β Beta, γ Gamma

Indicated, prices and net dividends are in percent of the current price. Estimated price/earnings ratios are 25x. Estimated price/dividends ratios are 25x.

On latest annual reports and accounts and, where available, on half-yearly figures P/E's are calculated on a quarterly basis. Earnings per share being computed on the undiluted and unlevered ACT where applicable and where \pm indicate 10 per cent or more difference in "nil" distribution. Covers are based on the distribution: this compares gross dividend costs to

tion, excluding exceptional profits/losses but reduced extent of offsettable ACT. Yields are based on a gross, adjusted to ACT of 25 per cent and allowed distribution and rights.

increased or resumed
reduced, passed or deferred
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city UK listed; dealings permitted under rule
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e of suspension
evident after pending scrip and/or rights issue,
to previous dividend or forecast,
or reorganisation in progress
able
reduced final and/or reduced earnings

dividend; cover on earnings updated by latest
 for conversion of shares not now ranking for
 ranking only for restricted dividend.
 not allow for shares which may also rank for
 a future date. No P/E usually provided.

francs. Fr. French Francs $\frac{5}{8}$ Yield based on Treasury Bill Rate stays unchanged until maturity of insured dividend. b Figures based on prospectus or rate. c Cents. d Dividend rate paid or payable on cover based on dividend on full capital $\frac{1}{2}$ of Flat yield. g Assumed dividend and yield. h

and yield after scrip issue. | Payment from Kenya, m Interim higher than previous total. a Earnings based on preliminary figures. s Field exclude a special payment t Indicate on relates to previous dividend. P/E ratio based on earnings. a Forecast, or estimated annualised based on previous year's earnings. v Subject to dividend cover in excess of 100 times. v Dividend

Dividend coverage excess of 100 times. Y Dividend yield based on merger terms. Z Dividend and yield include a special dividend. Coverage does not apply to special payment. A New York City. B Preference dividend passed or deferred. C Dividend based on book value. D Dividend based on book value. E Dividend based on book value. F Dividend and yield based on book value. G Assumed dividend based on book value. H Dividend and yield based on book value. I Dividend and yield based on book value. J Dividend and yield based on book value. K Dividend and yield based on book value. L Dividend and yield based on book value. M Dividend and yield based on book value. N Dividend and yield based on book value. O Dividend and yield based on book value. P Dividend and yield based on book value. Q Dividend and yield based on book value. R Dividend and yield based on book value. S Dividend and yield based on book value. T Dividend and yield based on book value. U Dividend and yield based on book value. V Dividend and yield based on book value. W Dividend and yield based on book value. X Dividend and yield based on book value. Y Dividend and yield based on book value. Z Dividend and yield based on book value.

dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1988. O Dividend and yield based on prospectus or other official estimates for 1989. P Figures based on prospectus or other official estimates for 1990. Q Gross. R Forecast annualised dividend.

IRISH & IRISH STOCKS

96	...		
830	...		
85	...	Arnotts ...	415
		Carroll (P J) ...	155

1355	Hall R & M	y	168	-
		Meitao Higgs	y	80	+2
		Irish Roses	y	215	-
		United Drug	y	150	+3

ADDITIONAL OPTIONS	
3-month call rates	
Nat West Bk	25
P & O Dig.	55

5	P	Piersey.....	Y	22
		Polly Peck.....	Y	26
	38	Racial Elect.....	Y	40
Y	11	RHAT.....	Y	42
Y	80	Rank Org Ord.....	Y	80
Y	42	Reed Intnl.....	Y	34
Y	61	STC.....	Y	32

Y	32	Sears...	Y	10
Y	42	Smithline Bchm, A...	Y	50
Y	24	71	Y	38
Y	25	TSB	Y	10
Y	44	Tesco	Y	14
Y	52	Thorn EM	Y	58
Y	74	Trust Houses	Y	24

... Y	21	T&N ...	Y	18
... Y	18	Unilever ...	Y	46
... Y	46	Vickers ...	Y	18
... Y	48	Wellcome ...	Y	42
... Y	32			
... Y	30			
... Y	14			

Property

.....Y	22	Brk. Land	Y	32
.....Y	85	Land Securities	Y	52
.....Y	29	MEPC	Y	50
.....Y	110	Randworth	Y	28
.....Y	48			
.....Y	90			
.....Y	18			

Oils

.....Y	71	Brk. Petroleum	Y	71
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.....Y	34	Bull TerrierY	21
.....Y	16	BulldogY	50
.....Y	60	CanoeY	35
.....Y	100	ChariotY	26
.....Y	29	PremierY	9
.....Y	28	ShellY	32
.....Y	26	UltramarY	26

.....Y	33				
.....Y	29				
.....Y	58				
.....Y	15				
.....Y	30				
.....Y	24				

Mines

Cons Gold.	Y	150
Loraino	Y	30
RTZ.....	Y	40

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3pm prices August 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES



**Reliable Computers
Renowned Monitors**

Computers & Telecommunications

SAMSUNG
Electronics

Continued on Page 37

AMERICA

Dow crawls through 2,700 level in active turnover

Wall Street

THE 2,700 level on the Dow Jones Industrial Average loomed very large throughout yesterday's morning session, proving a formidable barrier until midsession, when the index managed to move just above this key point, writes *Janet Bush in New York*.

At 2 pm the Dow was quoted 588 points higher at 2,700.87. Trading was heavy, with 129m shares changing hands by mid-session — an indication of a fairly even mix of new buying and some profit-taking after the large gain of 4.54 points on Monday.

The key indices on the Nasdaq over-the-counter market and on the American Stock Exchange were marginally higher at midsession while the broadly-based Standard & Poor's 500 index was quoted slightly lower.

The equity market now has its sights firmly trained on the Dow's all-time high set on August 25, 1987, of 2,722.42 which is now within striking distance. Most other important stock market indices have reached record highs in the last few weeks and the main focus of attention is the Dow.

The strong performance by technology and cyclical issues continued selectively yesterday, reflecting confidence that the US Federal Reserve has

managed to engineer a soft landing for the economy.

Having performed poorly for most of this year, International Business Machines, a benchmark stock heavily favoured by individual and institutional investors alike, has started to move. This week, IBM has passed a key level of \$117 which suggests a further rally to around \$125. At midsession, IBM was \$14 higher at \$131.87.

The rally of more than 40 points on Monday was exaggerated by the usual rounds of programme trades, but also reflected genuine buying interest. The market has gained enormously in confidence since last Friday, when stocks held up well in spite of the plunge in bond prices and the waning of expectations of any further monetary easing by the Fed.

In any rally there comes a point when investors who have missed the rise start to feel intense pressure to get into the market. The increase in volume suggests that there has been an element of this kind of buying and forecasts of an even more extended rally.

Among technology issues, Digital Equipment jumped 3% to \$101.75, Apple Computer added 1% to \$44.00 on the over-the-counter market and Compaq Computer gained 3% to \$69.75.

Strong performers among

cyclical stocks included Dow Chemical, which moved 1% higher to \$97.00, and Scott Paper added 1% to \$51.75.

Airline stocks were again spotlighted yesterday. UAL moved up another \$10 to \$221 in the wake of the new takeover offer by investor Mr Martin Davis. AMR added 1% to \$73.00 and Midway Airlines moved 1% higher to \$20.75 before the NYSE suspended trading in the shares. Ampco-Pittsburgh said that it had 6.5 per cent of the company and may seek control.

USAir dropped 1% to \$51.75 as the company sold the equivalent of a 12 per cent stake to Berkshire Hathaway, controlled by investor Mr Warren Buffett, as part of an effort to fend off a possible takeover bid from a group led by investors Mr Michael Steinhardt.

On the NYSE, 3,000m Corp. plunged 4% to \$13.75 after the company said that it might post a loss for the first quarter ending August unless orders strengthen.

Canada

AN OPENING surge in Toronto followed Wall Street's rally on Monday, when the Canadian market was closed for a holiday. The composite index gained 32.4 to 4,017.5, with advances leading declines by 155 to 82. Volume was thin at 2.7m shares.

Buoyant trade gives Singapore its bounce

William Cochrane considers the driving forces behind the market's recent popularity

THE SINGAPORE stock market has bounced back close to its post-crash highs in the past two days as healthy half-year corporate results and news of stronger than expected economic growth have renewed investors' confidence.

The Straits Times industrial index closed up 10.02 yesterday at 1,361.76 in heavy turnover, buoyed by Wall Street's surge on Monday night. This compares with its post-crash high of 1,372.29, reached on July 31, a gain of 24 per cent this year. Last week, the index had slipped back on a daily basis to close at 1,348.18 on Friday, a move that may have contained an element of second-guessing. The island state's National Day falls today, a holiday for the stock market in both 1987 and 1988, a rising trend in the Singapore stock market was broken after the National Day celebrations.

However, the news of the past two days may not be fully discounted in prices, some analysts believe. Yesterday, the Ministry of Trade and Industry forecast economic growth this year of 7.5-8.5 per cent, up from the 6-7 per cent predicted previously, and compared with 11 per cent in 1988.

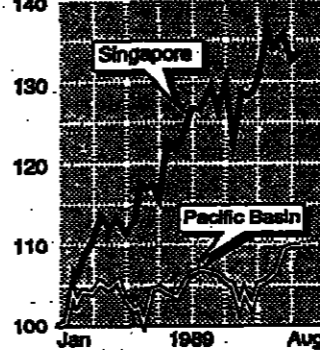
International trade has brought unprecedented prosperity to Singapore; this is the long-term reason for investing in the island, and why the market is standing on an historic price/earnings ratio of 22. Short-term, the June 4 crisis in Peking and its potential effects on Hong Kong as a Far East financial centre are encouraging analysts to look at Singapore as a potential alternative — "a Zurich to Hong Kong's City of London," as one of them puts it.

Mr David Bates, Hong Kong and Singapore specialist at brokers James Capel, points out a number of the attractions. First, there is Singapore Airlines (SIA), seen as a beneficiary of the recent 'hubbing' agreement, in which British Airways has been allowed to use Changi airport as a central point for flights into and out of the Asia Pacific region.

Early in June, brokers were walking away from both local and foreign SIA shares after a 64 per cent increase in net 1988 profits to a record \$985m (US\$303m). The figure, it appeared, was slightly below stock market forecasts. Since then, however, the foreign shares have improved from \$316.80 to \$318.10; yet the p/e

FT-A World Index

(Local currency terms)



at that level is still only about half the market average.

Singapore's prosperity is not all airborne record cargo was handled in the first six months of this year. The country has seen Thailand go for growth, achieve success and subsequent congestion and having, belatedly, to acknowledge the need for increased infrastructure to cope with it. The Singapore Government is consequently seeking improved infrastructure first, according to Mr Bates, in the prospect of industrialisation to come.

Meanwhile the financial community, so long overha-

owed by Hong Kong, is actually dipping into the colony to get good people. The banks, DBS and UOB, have been advertising in Hong Kong for staff who would make the move to Singapore.

At corporate, rather than individual level, an increasing number of foreign banks and trading and securities houses have been making enquiries about moving to Singapore from Hong Kong.

Mr Peter Brustowe of Hoare Govett notes that the Singapore Government has been softening its attitude on immigration. It is prepared to take up to 25,000 white collar workers from Hong Kong, subject to certain provisions about employment categories and the assets of the individuals concerned.

There is little danger of it becoming a wide-open town. Earlier attempts to position Singapore as a rival centre to Hong Kong have been stifled by the tighter regulatory atmosphere on the island, he says. "Nothing has happened, recently, to suggest that Singapore is making a bolt for it," he adds. "It will probably continue to take a rather more disciplined approach."

However, it still follows that,

if Singapore is going to be seen as an important financial centre, increasing interest is bound to focus on the property market and domestic property companies.

An analyst at Baring Securities says comment is focusing regularly on demand by Hong Kong institutions and individuals for Singapore property, with record prices being paid towards the end of July for prime commercial property like Cecil Court, and particular interest being shown in luxury condominium developments in the residential sector.

Singapore and Malaysia, as relatively liquid markets, are among very few in the Far East which are placed to benefit, if and when people sell out of Hong Kong.

But she is cautious about the market at the moment, saying that it could be overbought. A relative strength indicator, reflecting a broader range of smaller companies, has diverged upwards recently from the Straits Times industrial index. When it did that before National Day last year, she points out, the STI was running into a 100-point drop in the months from August to December.

EUROPE

Frankfurt leads climbing party to further peaks

A STRONG day for Continental bourses saw West German shares advance to post-crash highs and Paris regain its fizz, writes *Our Markets Staff*.

FRANKFURT shrugged off Monday's mixed performance and advanced to further post-crash highs. The FAZ gained 6.90, or 1 per cent, to 660.45 and the DAX index rose 11.56 to 1,633.69.

The next significant resistance on the FAZ would be at 700, although 680 could prove a test, said an analyst. He suggested that positive corporate results and economic news would drive the index to 700 in the early autumn.

Turnover was much more active yesterday, valued at DM6.8bn compared with Monday's DM4.5bn.

Companies that had lagged recently were bought on fundamental grounds, with Linde, the engineering concern, up DM23.50 at DM798.50.

Retailing issues were fairly volatile, as the sector fell out of favour with rotational buyers. The analyst said: "The market has now done the round of almost all the sectors. The question is: where next?"

Nixdorf rose DM3 to DM389.50 on expectations that its second-half results due next month could show the benefits of recent cost-cutting. There was also a feeling that computer stocks had been undervalued.

VW continued to perform well, adding DM13 to a year's high of DM469 in the session's largest turnover of DM814m. Commerzbank yesterday revised its earnings forecast for VW upwards. BMW gained DM13.50 to DM603.50 after reporting relatively good US figures for the year so far.

PARIS picked up smartly after four days of consolidation. The initial spur was Wall Street's powerful showing on Monday night. Foreign buyers,

notably from the UK, then stepped in, and late in the day came news of a 14 per cent rise in first half sales at Peugeot.

The car group's stock gained FF18 to FF920 in large volume of 136,000 shares.

The OMF 50 index ended 2.49 higher at 510.91, though off the day's best level of 511.09. The real time CAC 40 gained 13.11 to 1,817.60 and turnover was estimated at a healthy FF2.8bn.

Another actively traded stock was Paribas, which rose FF6 to FF513 on 461,000 shares. Yesterday was the final day of the "grace" period for the conversion of outstanding warrants into shares; it was also suggested that some investors whose warrants had been convertible into non-voting stock might have been switching into the ordinary shares.

Construction company Auxiliale d'Entreprise climbed a further FF33 to FF1,077 after its FF49 rise on Monday. There was speculation that Pinault, a company quoted on the second market, was interested in buying a 15 per cent stake in Auxiliale held by CGIP, the holding company.

AMSTERDAM continued its record run, buoyed by Wall Street's strength and high expectations from this week's batch of second quarter earnings. The CBS tendency index added 1.7 to 197.2 in active volume of FI 971m.

However, nervousness was creeping in at these high levels and there was some profit-taking in the afternoon.

Amro bank, whose results are due today, gained FI 1.90 to FI 95 in the day's second most active turnover, while NMB was also busily traded and rose FI 7.80 to FI 276 amid news that the European Options Exchange would begin trading the bank on August 21.

Nedlloyd, the transport and shipping group, rose FI 1.80 to FI 94.90 for a two-day gain of 5

per cent, as it benefited from its recent stock split.

ZURICH was propelled higher in active trading by foreign demand. The Credit Suisse index added 8.3, or 1.3 per cent, to 699.9. Brown Boveri, the machinery company, eased SF10 to SF74,610 before today's first-half results of Asea Brown Boveri, the jointly-owned Swiss/Swedish group.

MILAN opened in weak style before recovering to close little changed. Profit-taking and position-squaring were counteracted by demand for blue chips in busy trading.

The Comit index held above the 700 level, slipping 0.18 to 701.19.

BARCELONA continued firm, adding 1.40 points in the general index to 311.39, although volume was low at about \$70m. Banks are trying to recover strength after good results for the first six months. BBV rose 5 percentage points to 845 per cent of nominal market value, Santander gained 8 to 844 and Banesto 10 to 1,100.

Constructions showed the day's best gains, with Dragados up 8 at 664 after a near 40 per cent rise in first half pre-tax profits. Telefonica was unchanged at 199.75 after its 10 per cent rise in profits.

STOCKHOLM reached all-time highs in moderate trade helped by sharp gains in Asea shares. The Affarsvarlden index rose 11.2 to 1,323.6, a record high.

Asea free B-shares climbed SKR35 to SKR45 on expectations of good results today from Asea Brown Boveri.

BRUSSELS trading got off to a good start on the first day of the new forward account. However, the cash index slipped from Monday's all-time high to close 15.37 down at 6,272.27.

VIENNA marched on upwards, taking its run of record highs to five as the index added 7.41 to 416.94 in lively trading.

ASIA PACIFIC

Nikkei picks up as regional markets surge

Tokyo

SUMMER lethargy continued to plague the market, but a flurry of interest in specific issues left share prices higher yesterday for the first time in four days, writes *Michiko Nakamoto in Tokyo*.

After opening moderately higher, share prices moved steadily higher through the day, reflecting the lack of direction that has undermined the market recently. The Nikkei average, however, closed up a solid 129.10 at 34,759.48 after moving from a high of 34,761.34 to a low of 34,530.79.

Advances outnumbered declines by 465 to 391 while 23 issues were unchanged. Turnover, though higher than the 306m traded on Monday, remained at a discouragingly low 477m shares. The Topix index of all listed shares strengthened 9.22 to 2,624.70. In London the ISE/Nikkei 50 index rose 0.74 to 2,078.72.

Yesterday provided the only significant rise so far this month. Although investors apparently took heart from the overnight surge on Wall Street and currency stability, analysts suspected that the strength was more a reflection of a desperate effort by dealers than a real surge of interest. Institutional investors, in particular, were said to be disenchanted by the market and to be turning their attention outside the country.

Dealers tried to generate volume, but no significant theme or specific issue was able to sustain interest. Part of the reason for the quick changeover from theme to theme, and even from issue to issue, lies in the need for institutional investors to realise quick profits before their September interim reports. This resulted in a game of musical chairs among issues known for quick price movements.

Political instability, and its possible effect on currency and interest rates, have also kept investors cautious. In a changing political environment, with a new leader of the ruling Liberal Democratic Party elected yesterday, nobody really knows what the themes are. The Government has never

faced a powerful opposition and the market has never liked uncertainty.

Investors have been attracted by themes related to a rising Socialist Party, such as housing and anti-nuclear energy, although interest in these had waned. Daiwa House returned to the top slot in the most active list with 13m shares traded and rose Y40 to Y2,680.

Daiwa, a large condominium builder, surged Y230 to a high for the year of Y4,160 in active trading. Interest in Daiwa stemmed mostly from its low price/earnings ratio.

Sony, the electronics maker, spurred Y330 to an all-time high of Y8,300 on its completion of a public share offering that triggered dealer interest. Sony was second most active with 12.6m shares.

Interest in specific high tech-

nology issues in Osaka supported a strong 223.04 point rise in the OSE average to 34,454.14. Activity was slack with 54m shares traded, a slight improvement over Monday's 43m. Nintendo, a maker of video computer games, surged Y2,000 to a record high of Y16,400 in the wake of its announcement of a gratis share issue.

Roundup

BULLS ruled in the Asia Pacific region yesterday, with all the leading markets rising strongly.

NEW ZEALAND surged a further 3.5 per cent after Mr Geoffrey Palmer, the new Prime Minister, said that he would not change economic policy. The Barclays Index gained 75.56 to 2,259.45 in very heavy volume of 32m shares worth NZ\$66m.

HONG KONG followed Wall Street and other international markets upwards, with property issues having another strong day. The Hang Seng index broke through the 2,600 level, rising 41.7, or 1.7 per cent, to 2,697.94.

Turnover slipped to HK\$1,060m from HK\$1,200m.

Shui On Group was suspended at its own request, at HK\$1.78, as was Shui On (Contractors), at 41 cents, amid rumours concerning the future of its headquarters building.

AUSTRALIA attracted institutional and foreign investors, who became active after the overnight rise on Wall Street, and the market moved higher. The All Ordinaries index gained 19, or 1 per cent, to another post-crash high of 1,598. Turnover reached 127m shares worth A\$314m.

Among the most sharply rising stocks were CRA, up 40 cents at A\$10.50. BTR Nylax declined, however, losing 10 cents to A\$5.90 after strong gains recently before its interim results this week.

TAIWAN pushed past the 10,000 level on the weighted index in record turnover, with financial stocks leading the way. The index closed up 54.04, after surging 163.94 points earlier, at 10,022.10, on the largest ever daily turnover of T\$136bn, up from Monday's T\$120bn.

SOUTH AFRICA

BULLISH undertones re-emerged in Johannesburg and lifted gold shares in spite of the continued weakness of the bottom pace.

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY AUGUST 7 1989						FRIDAY AUGUST 4 1989						DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)			
Figures in parentheses show number of stocks per grouping															
Australia (85)	147.55	+0.7	136.08	128.46	+0.5	4.84	146.50	134.49	127.79	157.12	128.28	149.34			
Austria (19)	137.03	+1.1	126.38	135.04	+1.8	1.79	135.49	124.38	133.59	137.03	92.84	86.17			
Belgium (83)	135.53	+0.4	126.10	133.69	+0.1	4.08	136.11	124.05	133.59	137.07	125.58	112.74			
Canada (124)	151.72	+0.3	139.93	128.82	+0.0	3.10	151.21	138.81	128.92	151.95	124.67	122.69			
Denmark (36)	210.41	+0.9	194.06	211.84	+0.5	1.48	212.30	194.89	212.95	219.89	165.45	121.50			
Finland (28)	139.02	+1.8	128.22	125.40	+1.2	2.17	141.56	129.95	126.88	159.16	125.81	127.77			
France (127)	128.34	+0.3	118.36	129.74	+0.5	2.92	129.35	118.75	130.37	133.44	112.57	91.97			
West Germany (100)	97.51	+0.4	89.93	96.80	+0.0	2.11	97.90	89.88	96.56	100.53	75.56	75.11			
Hong Kong (49)	107.15	+0.7	98.82	107.37	+0.7	5.03	107.91	99.07	108.15	140.33	86.41	108.30			
Ireland (17)	146.41	+0.6	143.33	159.58	+0.0	2.68	156.35	143.54	155.58	159.12	125.00	131.38			
Italy (97)	94.24	+0.4	86.92	96.47	+0.7	2.32	93.91	86.21	95.79	94.79	74.97	71.19			
Japan (455)	188.70	+0.1	174.03	168.39	+0.1	0.48	188.60	173.14	168.19	200.11	164.22	165.81			
Malaysia (36)	163.01	+0.0	173.40	193.82	+0.3	2.48	167.93	172.52	162.96	199.58	143.35	164.17			
Mexico (13)	269.90	+0.0	246.16	740.83	+0.1	0.68	267.00	246.11	740.02	277.40	183.32	164.98			
Netherlands (43)	128.85	+0.2	118.66	126.25	+0.3	4.10	128.86	118.30	125.87	130.67	110.63	106.54			
New Zealand (21)	78.23	+1.4	72.15	69.42	+1.0	5.37	77.11	70.79	68.71	78.29	62.84	61.16			
Norway (24)	132.12	+0.8	160.13	164.67	+0.2	1.57	174.95	160.81	164.98	198.39	139.92	118.83			
Singapore (28)	166.60	+0.9	153.66	149.96	+0.5	1.89	165.18	151.64	148.86	199.43	124.57	138.88			
South Africa (60)	152.89	+0.3	140.83	138.48	+0.6	3.90	153.09	140.54	139.28	153.27	115.35	114.89			
Spain (43)	155.31	+0.0	140.24	140.72	+0.3	3.65	155.37	142.64	140.25	158.02	143.14	148.45			
Sweden (35)	162.35	+1.0	168.16	175.26	+0.6	1.96	164.16	169.06	176.32	187.77	138.45	118.43			
Switzerland (64)	91.76	+0.6	84.63	93.18	+0.8	2.03	91.19	83.72	92.45	92.64	67.81	78.46			
United Kingdom (311)	155.04	+0.1	142.99	142.99	+0.6	4.06	154.90	142.20	142.20	158.41	135.26	133.17			
USA (552)	142.07	+1.5	131.03	142.07	+1.5	3.20	140.02	128.54	140.02	142.07	112.13	110.12			
Europe (1005)	129.61	+0.1	119.54	124.26	+0.3	3.30	129.76	119.12	123.68	132.62	112.63	105.48			
Pacific Basin (872)	150.29	+0.1	150.29	150.29	+0.6	1.76	170.29	158.08	162.00	179.39	137.95	111.41			
Pacific Basin (872)	164.08	+0.1	169.78	162.71	+0.8	1.87	169.97	161.57	164.72	160.44	163.00	160.00			
Europe - Pacific (1677)	142.99	+0.0	146.77	147.26	+0.2	1.54	162.98	149.07	146.98	158.40	115.35	114.89			
North America (676)	162.55	+1.4	131.47	141.25	+0.4	3.20	140.50	129.07	139.34	142.56	112.79	110.70			
Europe Ex. UK (694)	113.51	+0.3	104.69	112.70	+0.1	2.71	113.82	104.88	112.67	112.68	96.30	88.32			
Europe Ex. Japan (1677)	116.59	+0.3	116.70	116.72	+0.1	4.50	128.32	117.80	118.45	137.85	111.93	127.92			
World Ex. UK (157)	131.59	+0.0	148.40	148.40	+0.2	1.82	148.52	148.52	148.52	168.35	140.49	139.16			
World Ex. UK (157)	131.59	+0.0	148.40	148.40	+0.2	1.82	148.52	148.52	148.52	168.35	140.49	139.16			
World Ex. UK (2196)	153.68	+0.5	141.74	145.35	+0.6	2.14	152.88	140.35	144.49	155.62	136.67	129.92			
World Ex. So. Af. (2386)	153.68	+0.5	141.75	145.16	+0.6	2.12	153.05	140.50	144.30	155.62	136.67	129.92			
World Ex. Japan (1971)	137.36	+0.8	126.68	134.40	+0.9	3.29	136.28	125.11	133.17	137.40	114.51	108.66			
The World Index (2426)	153.79	+0.5	141.84	145.11	+0.6	2.14	153.05	140.50	144.26	155.69	136.68	129.92			